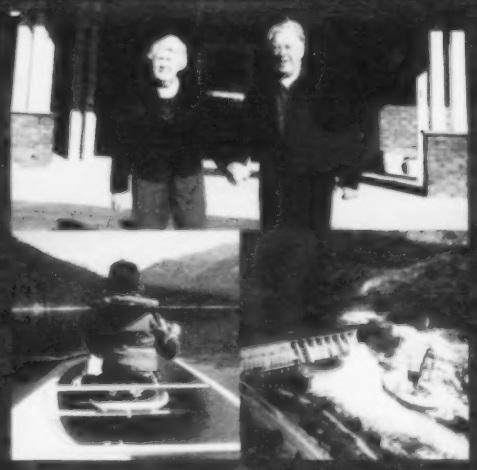
Columbia Basin Trust



2004/2005 ANNUAL REPORT

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COLUMBIA BASIN TRUST

Columbia Basin Trust Board of Directors.
Left to right, front row: Ron Miles, Jeannette Townsend, Evelyn Cutts, Mark McKee, Jackie Drysdale, Dieter Bogs. Back row: Garry Merkel, David Brien, Josh Smienk, Mike Rouse, Greg Deck.

Photo Credits: Ursula Heller, Bram Rossman, Columbia Basin Trust, and Columbia Power Corporation

Columbia Basin Trust Board of Directors.
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MESSAGE FROM THE CHAIR

To The Honourable
Richard Neufeld
Minister of Energy
and Mines

Legislative Buildings
Victoria, B.C.

Josh Smienk, Chair

Dear Minister Neufeld:

Over the past nine years, Columbia Basin Trust (CBT) has built a strong regional foundation that will serve it well in the years to come. CBT remains committed to investing in the Columbia Basin in ways that preserve the capital while providing income to bring social, economic, and environmental benefits to the communities and residents of the region through a range of programs and grant initiatives.

Since its inception, CBT has invested more than $309 million in power and non-power initiatives directly in the Basin. With income from its investment programs, CBT has delivered $24.4 million in benefits to the region in the last six years.

CBT is committed to public input and responded to feedback by revising our delivery model to focus on working with communities to develop their unique strengths and identify their priorities and projects. The newly established *Community Development Fund* gives Basin residents the flexibility they need, and asked for, to pursue their priorities in partnership with CBT. Together, CBT and our many local partners continue to work toward diversifying Basin economies from traditional reliance on primary industries.

Through consultation with Basin residents, the *Columbia Basin Management Plan* (the Management Plan) is being revised. The revised Management Plan will be presented to Basin residents for feedback and final revision at an upcoming symposium in July 2005. When ratified by the Board, this fundamental document will continue to provide community-based guidance of our operations. We remain deeply committed to involving Basin residents in the work and overall direction of CBT.

The diversity of the Basin, inherent in the vision and values of CBT, is a major challenge. Basin communities include urban, unincorporated, and rural areas, yet expectations for equal treatment are high, often exceeding the current resources of the organization. We are working to ensure Basin residents have a clear understanding of CBT's abilities, resources, and limitations.

In the energy area (i.e., investments in power projects in joint venture with Columbia Power Corporation), construction of the Brilliant Expansion (at Castlegar) continued this year. Slated for completion in 2006, this project will generate significant additional revenue for both CBT and the provincial government, through Columbia Power Corporation (CPC).

During the period of this annual report, CBT managed a number of significant challenges. In the fall of 2004 the CBT Board publicly proposed the sale of its share of power assets – the Arrow Lakes Generating Station, Brilliant Dam, Brilliant Expansion, and rights to the Waneta Expansion – to BC Hydro. In keeping with our commitment to the values set out in the Management Plan, the Board held public meetings across the Basin. Residents indicated firmly they were not in favour of the sale of power assets, but were supportive of the Board's desire for independence from government. In response to that direction, the Board decided not to pursue the proposal and has retained ownership of CBT's share of the power assets.

In January of 2005 the Minister advised that the status quo would prevail in respect to CBT and CPC (i.e., sale or amalgamation of the two organizations would not occur). The write-down of CBT's investment in the St. Eugene Mission Resort and the temporary closure of the Arrow Lakes Generating Station

affected investment income generated and benefits delivered to the Basin. Although these challenges have some impact on the performance targets we set for ourselves, we continued to function effectively in each of our core service areas: Delivery of Benefits, Corporate Services, and Investments (power and non-power). In the Corporate Services area we have built capacity and infrastructure to improve on the delivery of services and ensure our staff have the skills and resources to meet any upcoming challenges and the tools to measure progress toward our vision. We have also focused on succession planning to ensure a smoothly running organization into the future.

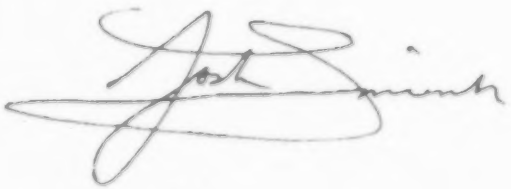
The Internal Audit and Advisory Services (IAAS) branch of the Provincial Ministry of Finance has recently completed a review of some specific issues related to CBTE, following an inquiry regarding a potential conflict of interest between parties associated with that organization. CBT and CBTE provided all of the information requested by the audit team. The audit found no evidence of actual conflict of interest related to our subsidiary CBTE. The audit team also came forward with 20 recommendations that can strengthen the operations of CBT and CBTE, and we are committed to addressing them.

CBT is a dynamic and diverse organization with changing needs due to its growth and evolution. During the last six years the Chief Executive Officer was Don Johnston, who provided leadership and direction, especially in devising CBT's current organizational structure and developing the spending program to deliver benefits to the people of the Basin. However, in order to keep pace with future opportunities and challenges, the Board announced in March 2005 it would be seeking a new CEO. Until this position is filled, I have assumed the duties of CEO on an interim basis, providing continuity and retaining confidence in the organization's leadership.

We have a responsibility to take a broad view of how CBT can assist communities to identify and realize their goals. Because of CBT's regional mandate, our vision for the Basin is a microcosm of the vision for the Province. Sustainability and a vibrant economy remain the focus of the government of British Columbia; CBT supports this vision for the Province and the Basin region.

The 2004 – 05 Columbia Basin Trust Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of CBT for the twelve months ended March 31, 2005. All significant decisions, events, and identified risks, as of June 15, 2005, have been considered in preparing the report.

The information presented is prepared in accordance with BC Reporting Principles and represents a comprehensive picture of our actual performance in relation to our Service Plan.



Josh Smienk, Chair
Columbia Basin Trust

The Columbia River Basin in Canada

The Columbia Basin Trust Region

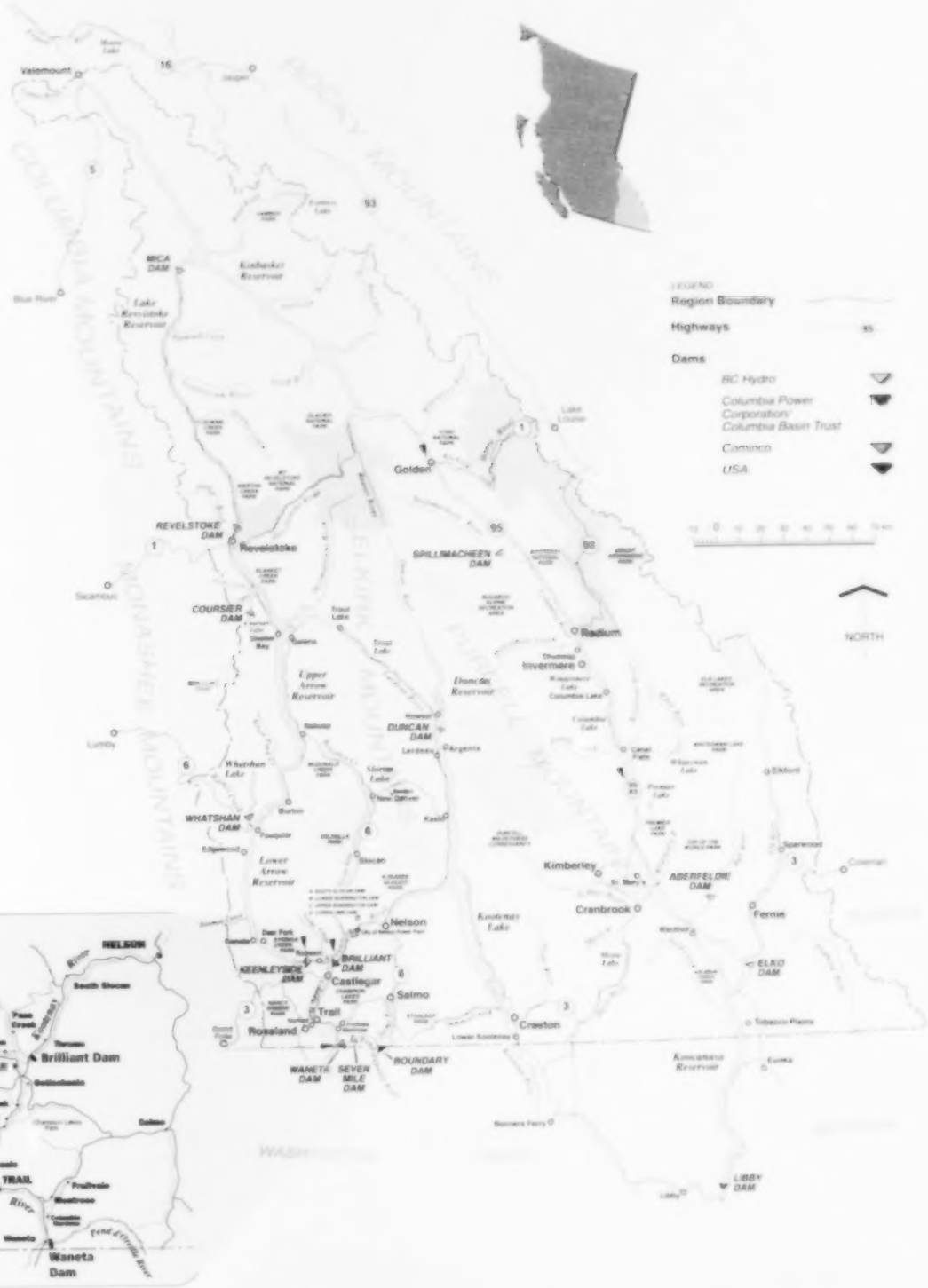
- Encompasses 88,000 square kilometres (twice the size of Vancouver Island)
- Sustains a population of approximately 170,000
- Continues to be affected by social, economic, and environmental impacts from the construction and ongoing operation of Treaty dams
- Provides 50% of total hydroelectric power produced in B.C.

The Columbia River

- Travels 2000 kilometres from Columbia Lake to the Pacific Ocean in Oregon
- Forms the fourth largest river basin in North America

Columbia Basin Trust Offices

- In order to ensure easy access to CBT programs and staff, regional offices have been established in Golden, Nakusp, and Cranbrook.
- CBT's head office is in Castlegar.



CBT – AN OVERVIEW

A Vision for the Basin

Vision

The Columbia Basin is a place where social, environmental, and economic well-being is fostered, where collaborative relationships and partnerships exist among stakeholders and form the basis for social and economic activities, and where the economy is diverse, resilient, and energized.

CBT's investment activities and funding of community-driven projects make this vision achievable.

Mission

The Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic, and environmental well-being and to achieve greater self-sufficiency for present and future generations.

By responding to and facilitating the efforts of Basin residents to identify and realize their goals, CBT is making its mission a reality.

Mandate

To manage the assets of Columbia Basin Trust for the ongoing economic, environmental, and social benefit of the region.

Values

- **Inclusiveness**
  CBT includes the people of the Basin in the planning and decision-making process. Residents are consulted through advisory committees, ongoing public meetings, and scheduled planning symposia.
- **Collaboration**
  CBT works with community partners on a local and regional level to ensure public input of funding priorities and program delivery.
- **Respect for diversity**
  CBT encourages enhancement of Basin heritage and culture, taking into consideration all Basin residents in extending its wide range of programs.
- **Responsibility**
  CBT is accountable to the expressed wishes of Basin residents for economic, environmental, social, and sustainability values, and works to maximize benefits while minimizing negative impacts.

History

The Columbia River Treaty

The Columbia River Treaty (the Treaty) was ratified in 1964. Its purpose was to provide the Columbia River Basin area in Canada and the United States with flood control and hydro-electric power. The Treaty was for a period of 60 years with renegotiation of terms after an initial 30 years.

Under the Treaty, Canada agreed to build three storage dams in the Canadian Basin: Duncan (completed in 1968), Keenleyside (1969), and Mica (1975). As well, the Treaty allowed for the United States to build a fourth dam in the U.S. (Libby 1973) with a large portion of its reservoir in southeastern B.C.

In return for the storage of water, Canada received a one-time payment for flood control, and is entitled to half of the additional power capability that storage and flow regulation creates at American hydroelectric plants on the Columbia River. The Province of B.C., which owns this "Canadian Entitlement of

CBT is committed to involving Basin residents.

Downstream Benefits," sold the first 30 years of these benefits for $254 million US. which was used to build the three storage dams. The Province is now receiving its entitlement for the remaining 30 years of the Treaty.

Formation of Columbia Basin Trust

In the mid-1990s the sale of the first 30 years of B.C.'s share of the downstream benefits through the Treaty was about to expire. Given the negative effects resulting from the Treaty – flooding of fertile lands and archaeological sites, displacement of people, effect on fish and wildlife, seasonal water fluctuations – residents of the Columbia Basin came together to press the Province for recognition of these continuing impacts. Forty years ago, inter-government negotiations were hierarchical in nature. Decision-making has since become more representative and participatory. This move to accommodate a wider spectrum of social and environmental interests reflects the goals of the Provincial government toward a supportive social infrastructure and a sustainable environment.

Local government represented by regional districts and tribal councils took a leadership role in the consultation process. The result was the formation of the Columbia Basin Trust (CBT) in 1995 through the *Columbia Basin Trust Act* as a partnership between local government, First Nations, and the Province of B.C. Its mission is to support the efforts of people of the Basin to create a legacy of social, economic, and environmental health in the region.

Governed by a Board of Basin residents, CBT was allocated funds representing a fair share of the ongoing downstream benefits earned under the Treaty. (See funding details under Legislation and Funding.)

The Province also committed to transfer funds to the Columbia Power Corporation (CPC), a Crown corporation that is the Manager of joint venture power projects with CBT in the Basin. In 2000 CBT created CBT Energy Inc. (CBTE) to effectively manage its 50-percent interest in the joint venture power projects. (See CBTE Annual Report page 58.)

Public Involvement

As directed by legislation, the *Columbia Basin Management Plan* was developed with input from residents of the region in 1997. It outlines CBT's mission, vision, mandate, core values, guiding principles, and strategic priorities. The Management Plan is in the process of being updated, again with input from residents of the Basin.

Public involvement is fundamental to CBT's accountability. Through public consultation, it was decided to preserve the investment capital for future generations rather than distribute it on a short-term basis. When CBT had developed its internal structure, the capital was moved from the investment management firm, Phillips, Hager & North, to the Basin. The capital continues to contribute to the economic viability of the region through loan opportunities.

In the ten years since its formation, CBT has worked diligently with a range of partners on behalf of Basin residents.

With the income from its investments, CBT began distributing benefits to the region in 1998. Its delivery programs take into account geographical representation and priority areas identified by Basin residents in meetings and symposia held during CBT's formation.

Legislation and Funding

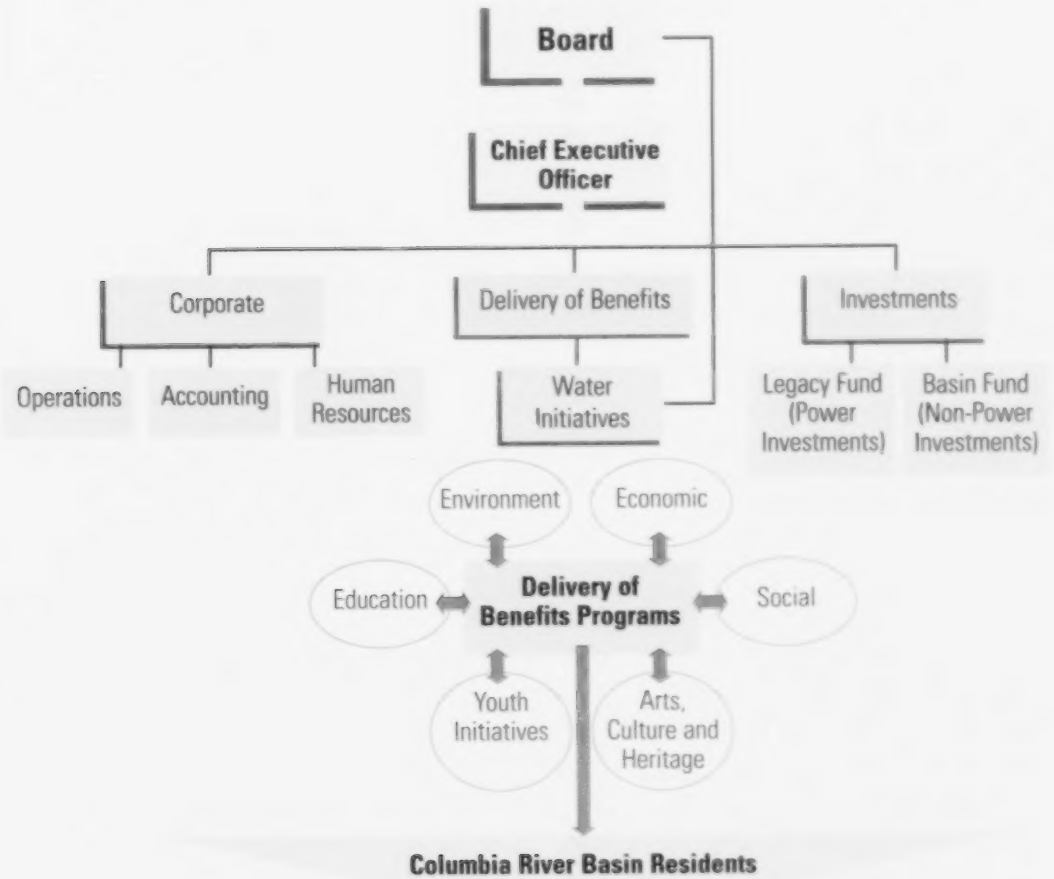
Columbia Basin Trust was established in 1995 by the *Columbia Basin Trust Act* to benefit communities in Canada affected by dams built under the Columbia River Treaty. The purpose of CBT is to invest monies allocated to it to enhance the economic, environmental, and social well-being of Basin residents.

Through a Financial Agreement dated July 27, 1995, the Province of B.C. endowed CBT with initial capital of $45 million (the Basin Fund). This was invested through short-term cash investments, business loans, real estate, and venture capital projects. The agreement also provided another $250 million (the Legacy Fund), payable in annual installments of $50 million commencing in 2001, committed to finance power project construction. An additional $32 million in 16 annual installments of $2 million is provided for operations in the developmental years. The final payment will be made in FY2010.

* Currently in planning stage

Structure

The Board of Directors of CBT is composed of 12 residents of the Basin appointed by the provincial government. Six of the appointees are nominated by local government (i.e., five regional districts and the Ktunaxa/Kinbasket Tribal Council), and six are identified directly by the provincial government. The directors provide policy direction in accordance with both the legislation and the *Columbia Basin Management Plan*, which was developed through consultation with Basin residents. The chief executive officer is responsible for operations, performance review, and evaluation. (See organizational chart below.) CBT employs 25 people in regional offices in Nakusp, Golden, and Cranbrook, and the head office in Castlegar.

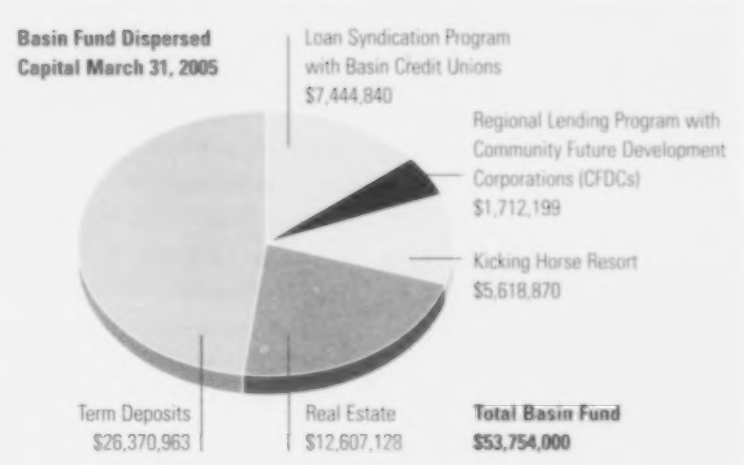


Primary Business Areas

Investments and activities are carried out through three core service areas:

1. Investments

- Investment of the Legacy Fund in power projects in the region as part of a joint venture partnership with the Province of B.C. through Columbia Power Corporation (CPC).
- Investments of the Basin Fund to preserve capital and provide income to deliver benefits to the region (non-power projects).


Basin Fund Dispersed Capital March 31, 2005
Loan Syndication Program with Basin Credit Unions $7,444,840
Regional Lending Program with Community Future Development Corporations (CFDCs) $1,712,199
Kicking Horse Resort $5,618,870
Term Deposits $26,370,963
Real Estate $12,607,128
Total Basin Fund $53,754,000

The Basin Fund is invested across the Basin in a range of investments in order to diversify the investment portfolio as much as possible.

Power investments (Legacy Fund):

Columbia Basin Trust's subsidiary, CBT Energy Inc. (CBTE), manages its power-related investments, currently consisting of CBT's joint venture interests in the Arrow Lakes Generating Station, the Brilliant Dam power projects, and the Waneta Expansion rights. CBTE's goal is to increase the amount of net income accruing to CBT from power projects for the ongoing economic, environmental, and social benefit of Basin communities.

Income from power and non-power investments is used to fund the Delivery of Benefits Program for generations to come.

Non-power investments (Basin Fund):

The Basin Fund is the vehicle for investing CBT's capital, excluding its power assets. These non-power investments – including real estate, commercial loans, and resort developments – focus on existing regional organizations and reflect CBT's vision of a diverse, resilient economy. The *Columbia Basin Management Plan* directs CBT to invest all of the capital received by CBT within the Basin, as long as commercially viable investments can be found. To date CBT has invested $53 million of the Basin Fund in the region.

The goal of the non-power investment program is to generate income to fund community initiatives and enhance self-sufficiency within the Basin. CBT seeks to diversify its investment portfolio wholly within the region by asset class, industry, and company. It pursues practical and innovative projects that increase the range of options for present and future generations.

2. Delivery of Benefits

The Delivery of Benefits Program distributes income earned from CBT's investments to support community enhancement initiatives in the Basin. CBT builds effective, flexible relationships with its delivery partners – community and regional organizations, local government, tribal councils, non-profit societies – to ensure it is engaged in issues important to Basin residents. CBT encourages on-going learning, adaptation, and innovation based on the diverse and changing needs of the Basin. Its approach to building capacity within communities increases the ability of grantees to plan and implement projects and report on results.

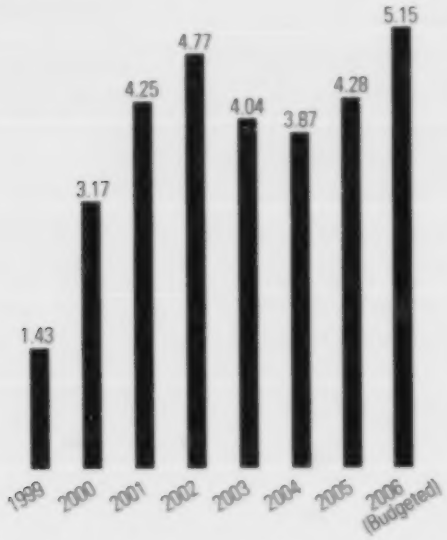
Every effort is made to meet the needs of staff and Basin residents and keep overhead costs down.

3. Corporate Services

CBT's corporate services support and enable the Board and staff to manage the Investment and Delivery of Benefits programs effectively, while remaining accountable to the residents of the Basin and the Province of British Columbia.

Delivering Benefits to Basin Residents–Dollars Dispersed

$ millions

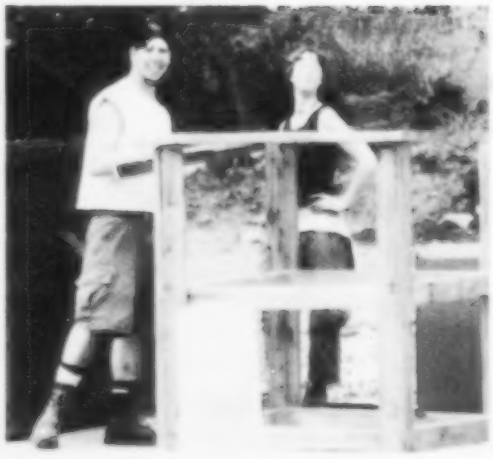


Partners and Programs

CBT is a unique organization with a mission – developed by people in the Columbia Basin – to bring social, economic, and environmental benefits to the area. Basin residents remain engaged with CBT through its many programs and it is those same people who are actively working with CBT to achieve its mandate.

In 2004 – 05 CBT worked with its partners in the Basin to distribute $4.28 million in funding to 515 projects and services encompassing all aspects of the social, economic, and environmental health of the region. Examples of CBT programs are:

- The *Community Initiatives Program* partners with local and regional governments in the Basin to fund activities communities deem important. CBT is committed to providing $12.9 million over ten years. The partners are: City of Revelstoke, Town of Golden and electoral areas A and B of the Columbia Shuswap Regional District, Village of Valemount and electoral area H of the Fraser–Fort George Regional District, the Ktunaxa/ Kinbasket Tribal Council, and Regional Districts of East Kootenay, Central Kootenay, and Kootenay Boundary.
- The *Community Development Program* is a new initiative that responds to direction from communities for more flexibility in the funding approach. The program partners with communities to help them identify strengths and build on their assets, financial or otherwise. Community liaisons are CBT staff members who work directly with individual communities and project proponents.
- At the direction of the Board of Directors, CBT implemented its *Water Initiatives Program* in order to discuss water quantity and quality issues with Basin residents. Partnerships have developed with government, the private sector, and conservation organizations.
- The *Arts, Culture and Heritage Program* partners with the Columbia Kootenay Cultural Alliance (CKCA) who in turn adjudicate funding applications with local arts councils. The goal is long-term sustainability for the arts in the Basin.
- In the field of education, CBT supports a number of initiatives. The *Family Literacy Program* promotes lifelong learning by educating the public and supporting local community literacy-related actions. Columbia Basin Alliance for Literacy (CBAL) delivers resources for the program in the region. The *Training Fee Support Program* assists individuals to access funds for short-term employment-related training. The *Youth Community Service Award* has helped 83 young people pursue post-secondary education since its inception.
- *Columbia Basin Youth Grants* is a new program that supports youth projects and partnerships that build capacity and leadership.
- The *Youth Media Program* publishes *SCRATCH*, a youth magazine that features content from young people between the ages of 15 and 29. The magazine is supported by a youth-driven website: www.scratchonline.ca.
- *Basin Business Advocates Program* helps small- and medium-sized businesses in the



CBT has funded a range of youth-driven projects.

Columbia Basin by providing free one-on-one confidential business counselling and consulting services.

- Through the *Environmental Initiatives Program*, environmental agencies and communities are working to facilitate private land conservation issues and community-supported projects that address impacts on local or regional ecosystems.

To promote its additional programs, CBT depends on many other Basin partners including First Nations bands, employment service centres, small business groups, chambers of commerce, and colleges.

For a complete summary of CBT-funded programs, its investment activities, news releases, funding opportunities, answers to frequently asked questions and more, visit www.cbt.org. See back cover for complete contact information.

CBT funds a range of environmental projects aimed at creating a legacy of environmental well-being

Building for the Future...Now

The Province of British Columbia and CBT are both working to create self-sustaining, economically stable, vibrant communities in a healthy environment. While the government is accountable to the people of the Province as a whole, CBT serves the residents of the Columbia River Basin in Canada, consulting, facilitating investment, and developing programs with communities encompassing the watersheds of the Columbia River, an area of 88,000 square kilometres in southeastern B.C. (See map page 4).

Residents of the Basin region benefit directly from CBT's programs; in the wider view, CBT contributes to making the Basin region a healthy competitor and contributor to the provincial economy. CBT-funded projects are creating jobs and building assets in the region that will have long-term benefits and positive economic spinoffs now and in the future.

2004 – 05 YEAR IN REVIEW

In 2004 – 05 Columbia Basin Trust (CBT) continued to bring benefits to Basin residents across each of its three core service areas: 1) Delivery of Benefits, 2) Investments, and 3) Corporate Services.

CBT is in process of revising its Management Plan – a high-level document that provides strategic guidance for the Crown corporation. Input has been received through a series of public meetings, and revisions to the plan will be the topic of a 2005 symposium. CBT continues to develop its internal monitoring, evaluation, and reporting abilities.

Bringing Benefits to Basin Residents

Revenue from both power and non-power investments enabled CBT to increase its annual budget for the Delivery of Benefits Program to $4.28 million, up from $3.75 million. This funding program, perhaps more than any other, brings benefits directly to Basin residents and communities. The funds are spent on locally driven and supported projects that will help improve the social, economic, and environmental well-being of Basin residents.

During fiscal 2005, CBT funded 515 projects through its Delivery of Benefits Program, supporting a range of social, environmental, and economic activities across the Columbia Basin.

In 2004 CBT developed a new, more flexible and responsive approach to the Delivery of Benefits Program in answer to public input. The *Community Development Program* approach to funding projects encourages communities to "build capacity" within themselves – to identify their priorities and then collaborate with CBT to achieve those goals, rather than rely on CBT to set priorities and identify projects for communities. In keeping with the provincial strategic goals of a supportive social infrastructure, safe, healthy communities and a sustainable environment, CBT is developing a range of programs to enhance the self-sustainability of the region.

CBT continued to raise awareness about water quality and quantity issues through its *Water Initiatives*. Ensuring Basin residents understand the value of water – now and in the future – is integral to CBT's water objectives. In 2004 CBT conducted Basin-wide surveys to identify residents' water issues and concerns. The findings will continue to guide CBT's work in this area as it continues to position itself as a leading source for water information. For more information visit CBT's new water resource website at www.cbt.org or http://water.cbt.org.

CBT was instrumental in funding the formation of the Columbia Mountain Open Network and continues to support its efforts to establish broadband Internet access to rural communities. This fiscal period, work began to upgrade line speed to schools and government offices in the Trail/Rossland/Castlegar areas. High-speed connection is critical to economic development in the region.

Investing on Behalf of Basin Residents

Non-power investments

In 2004 CBT announced it would invest in two additional seniors' housing projects in Creston and Invermere. These initiatives provide local long-term jobs and provide much-needed social housing in the Columbia Basin.

Power investments

Work continued on the Brilliant Expansion. When complete, this hydroelectric project at the existing Brilliant Dam will generate clean, green electricity, which will be sold and in turn will provide revenue to CBT and the Province. An equal portion of the revenue from hydro sales will return to the provincial taxpayers, and the remainder will be directed to CBT and used to fund projects in the Columbia Basin.

CBT's joint venture power projects, such as the Arrow Lakes Generating Station, will provide clean, green electricity for generations.

In 2004 intake channel repairs were required at the Arrow Lakes Generating Station (ALGS), jointly owned and operated by Columbia Power Corporation (CPC) and CBT. This temporary shutdown of the powerhouse impacted power sales and revenue. Further detail related to this event and remedial actions can be found in the Annual Report of joint venture Manager CPC, at www.columbiapower.org.

In fall 2004 CBT held a series of community meetings across the Basin to discuss the potential sale of its 50-percent share of power assets to BC Hydro. More than 1,500 Basin residents attended the meetings. Based on feedback and direction received at those meetings, CBT announced in November 2004 that it would not proceed with the sale of its share in West Kootenay power projects: ALGS, the Brilliant Dam, the Brilliant Expansion, and the rights to the Waneta Expansion. This consultative process and response to input from Basin residents demonstrates CBT's ongoing commitment to work for and on their behalf.

CBT has acquired and developed power assets and managed its investment program with an ongoing commitment to bring long-term benefits to the Basin.

Working for the Future

In 2004 the Minister responsible for CBT directed CBT and CPC, its partner in joint venture power projects, to explore amalgamation. In early 2005, after the potential sale of power interests noted above was not pursued, the two Crown corporations were advised that they would remain as two distinct entities – the status quo. In spite of the challenges created by this fluid environment, CBT continued to provide effective services in all three of its core business areas.

Since its inception in 1995, CBT has grown and diversified. In order to keep pace with the organization's current needs and to help take it into the next phase of development, the Board of Directors announced in March 2005 that it would seek a new Chief Executive Officer to replace outgoing CEO Don Johnston. Mr. Johnston has been CEO for the last six years and in that capacity provided valuable leadership and direction to the organization.

PERFORMANCE REPORT

Overview

In fiscal 2004 – 05 CBT continued to build capacity and work towards achieving its stated goals and objectives in each of its three core service areas: 1) Delivery of Benefits, 2) Investments, and 3) Corporate Services. Each core service contributes to CBT's triple-bottom-line commitment (social, environmental, and economic) to Basin residents and the provincial government.

CBT continues to build internal capacity and processes to fully incorporate the BC Reporting Principles into performance management and reporting. In particular, in this report and the Service Plan against which it is reporting, CBT has:

- strengthened the link between goals and results;
- focused on the few, critical aspects of performance; and
- related results to risk and capacity.

CBT continues to build the processes necessary to fully incorporate reporting principles into its performance management and reporting.

By reporting on the few, critical performance measures, CBT and the 170,000 (approx.) people who live in the Columbia River Basin receive meaningful feedback that provides ongoing direction to ensure CBT is fulfilling its mandate and meeting the needs of Basin residents.

Consistent performance measures have been implemented as of the 2005 – 07 Service Plan and development of the data collection and tracking methods is underway. As these processes develop and are fully implemented, CBT will enhance its internal performance management and the quality of information in future annual reports and service plans.

Although CBT expects to face new reporting challenges, we continue to develop new capacity to address these.

- ***Providing comparative information*** is challenging given the unique nature of CBT. CBT has changed dramatically over the years and continues to develop new processes and methodologies that will in time allow for internal, external, and historical comparisons. These new monitoring and reporting processes will enable these types of comparisons in subsequent annual reports. External comparisons and benchmarks, such as costs of information technology and grant-making as compared to other granting organizations, will also be used in the future.
- ***Focusing on a few, critical aspects of performance*** has resulted in the selection of broad goals and objectives, as well as performance measures. The performance measures have been chosen because they will best enable CBT to measure progress towards its mission of supporting efforts by the people of the Basin to create a legacy of social, economic, and environmental well-being.
- ***Internal capacity is improving***, but capacity remains a reporting constraint. Processes are being established which more fully enable us to fulfill performance monitoring and reporting, and internal capacity has been building slowly through "hands-on" experience. Staff responsible for performance monitoring and reporting do so as an "add on" to their existing duties. During investigation of potential restructuring of the Columbia Basin Initiative, some staff replacements were delayed, but new personnel appointments including one specifically dedicated to planning and reporting will strengthen our capacity in the future.

- ***Underestimating the time required*** to establish performance monitoring and reporting processes has made it difficult to fulfill targets. The lack of time, combined with internal capacity constraints noted above, has hindered our ability to meet and report on performance targets.

Linking CBT Goals to Performance Reporting

CBT's 2005 – 07 Service Plan outlines its strategic direction for each of its core service areas.

Investments:

The Legacy Fund (Power) – CBT Energy Inc.

- Maximize the expected return of assets, subject to preserving the real value of the legacy capital with a relatively high degree of certainty in order to generate income to fund the Delivery of Benefits Program.

The Basin Fund (Non-power)

- Maximize the expected return of assets, subject to preserving the real value of the capital over the long term with an acceptable degree of risk.
- Enhance economic self-sufficiency in the Basin.

CBT-funded projects achieve social, economic, and environmental objectives.

Delivery of Benefits:

- Enhance the ability of CBT to strengthen the social, economic, and environmental well-being of the Basin, its residents and communities.

Corporate Services:

- Support and enable CBT Board and staff to deliver the Investment and Delivery of Benefits programs effectively.

Summary

The following table summarizes CBT's goals, objectives, and performance measures as well as performance results for fiscal 2004 – 05. A more detailed discussion of these results for each strategic area, additional comparisons, and the performance measurement process at CBT follow.

Performance Summary FY 2004 – 05

Investment Program

Basin Fund Goals:

Maximize the expected return of the assets, subject to preserving the real value of the capital over the long term with an acceptable degree of risk.

Enhance economic self-sufficiency in the Basin.

Objectives	Performance Measures	Targets FY 2005	Results
Basin Fund: To generate income from the Basin Fund investments.	Current Annual Return on Investment (ROI)	6%	(1.1%)
	Average Annual Return on Investment (ROI) since inception.	6%	0.9%

Legacy Fund Goal:

Maximize the expected return of assets, subject to preserving the real value of the legacy capital with a relatively high degree of certainty in order to generate income to fund the Delivery of Benefits Program.

Objectives	Performance Measures	Targets FY 2005	Results
Legacy Fund: 1. To earn increasing levels of income through power sales from existing joint venture power projects.	Net Income.	$6.37 million	$5.67 million
2. To preserve the real value of the joint venture power projects.	Real Value.	Maintain historical cost of power projects.	Recent BC Hydro due diligence on power projects confirm historical cost maintained.

Delivery of Benefits

Goal: Enhance the ability of CBT to strengthen the social, economic, and environmental well-being of the Basin, its residents and communities.

Objectives	Performance Measures	Targets FY 2005	Results
To effectively gain knowledge of and apply knowledge on resident, community, regional, and cross-sectoral priorities and issues.	Residents rate the consistency between CBT Delivery of Benefits funding decisions and *Columbia Basin Management Plan*.	Strategies undertaken. Data collection methods established.	Community focus groups identify priorities. Research on other data collection methods (comment section on website/feedback form on *Report to Residents*) undertaken. Evaluation information reported on.
To ensure effectiveness in the delivery approaches used in the Delivery of Benefits Program.	Effectiveness rating on CBT's delivery processes by those CBT works with through the Delivery of Benefits Program.	Develop survey instruments to measure delivery of CBT Delivery of Benefits Program.	Pilot projects undertaken in two program areas.
	Rating of perceptions of grantees on survey.	Explore and budget for ways of participating in a grantee perception survey.	Initial research undertaken.
	Proportion of grantees with project results consistent with CBT policies and procedures reported.	Explore and budget for ways of participating in a grantee perception survey.	In progress.

Corporate Services

Goal: Support and enable CBT Board and staff to deliver the Investment and Delivery of Benefits programs effectively.

Objectives	Performance Measures	Targets FY 2005	Results
To ensure effective provision of support services.	Proportion of staff rating each service area service provision as effective.	Data collection methods established.	In progress.

Benchmarks

CBT's three core services must adhere to the *Columbia Basin Management Plan*. In the case of non-power investment through the Basin Fund, the mandate is twofold: 1) to preserve the capital and 2) to provide income to deliver benefits to the Basin. Additionally, investments are made primarily within the Basin region with a secondary objective of stimulating the local economy over the long term for the benefit of the Basin and its residents. This Basin-focused investment framework makes it difficult to benchmark performance against comparable industry ratios due to the small geographic area involved and the absence of a major urban centre in the Basin.

The Delivery of Benefits Program operates like many foundations and other granting organizations. As such, one of the performance measures revolves around grantee perceptions of CBT's grant-making processes. CBT will participate in a grantee survey that measures this aspect of performance on behalf of a number of grant-making organizations. Survey results will provide benchmark information and internal comparisons, especially historical. These results will be included in future annual service plan reports.

Performance targets in the Corporate Services area are still developmental in focus. CBT will identify performance measures for service areas commonly found in many organizations. For instance, with four FTEs, CBT's Information Technology Services provides support for 100 workstations and servers for CBT and CPC in Castlegar, Nakusp, Cranbrook, Golden, and Victoria, as well as providing support for our Board of Directors at various Basin locales. They operate a helpdesk, design and administer websites, and develop and support a range of specialized software applications for both CBT and CPC. This information will be compared against other organizations to provide benchmarks in the future.

External Factors Impacting Performance

Non-power investments are impacted by the performance of the economy in general. Tourism-related investments are affected by factors such as weather, snow conditions, SARS, BSE, and forest fires. External factors impacting the Delivery of Benefits were largely financial. Power revenues were reduced because of damage to the channel at the Arrow Lakes Generating Station, and $2.2 million in write-downs occurred in non-power investments. While CBT continued to provide efficient Corporate Services in support of our core business areas, significant organizational resources were devoted to investigating the potential restructuring of the Columbia Basin Initiative.

Internal Factors Impacting Performance

The mandate given to CBT to use its Basin Fund to focus on investments only in the Basin impacts CBT's investment strategies and opportunities. In addition, internal capacity issues have influenced reporting on evaluation performance targets in two key ways: 1) CBT made a commitment to keeping its staff lean and, as such, all tasks associated with performance management have been undertaken by a few staff whose job descriptions include a number of other duties. 2) No staff positions are dedicated solely to performance management and reporting.

Performance Management and Reporting

Performance Measure Selection Process

CBT contracted Watson Wyatt Worldwide to work with its investment program staff and Board to establish a sound investment policy and to decide on the performance measures to be adopted.

Ensuring that CBT's funding decisions are consistent with Basin residents' priorities, and delivering the funding program in an effective way that also allows for performance monitoring and reporting, are critical aspects of performance. Rating the consistency between funding decisions and residents' priorities, as well as determining the degree to which monitoring/evaluation is built into grantee projects, are direct and outcome-oriented measures that will allow for historical and measurable comparisons for those critical aspects of performance.

Performance management and reporting is a critical function of Corporate Services

Despite the development work that remains in order to effectively report on the selected performance measure for CBT's Corporate Services, the measure itself reflects the essential purpose of this core service area. Subsequent annual reports will include a discussion of not just the overall measure but these more specific measures and the reasons they were chosen.

Data Tracking, Monitoring, and Reporting Process

CBT has now developed and implemented a consistent approach towards the goal, objective, and performance measure for Corporate Services. Increasing attention and staff effort have been focused on developing measures and the data collection, monitoring, and reporting processes for the Delivery of Benefits service area. Most of the targets associated with the new measures are qualitative and process-oriented. The organizational capacity issues discussed above have had an impact on progress, but focusing on the few, critical aspects of performance has built stability and consistency into the performance management system. The staff have gained confidence in moving forward in the work needed in this area. Subsequent annual reports should reflect this progress.

The staff have gained confidence in moving forward in the work needed in this area. Subsequent annual reports should reflect this progress.

Investments –
The Basin Fund (Non-power Investments)

Goal 1: Maximize the expected return of the assets, subject to preserving the real value of the capital over the long term with an acceptable degree of risk.

Goal 2: Enhance economic self-sufficiency in the Basin (subject to maintaining the real value of the capital over the long term).

Performance Compared to Targets

Non-power Investments 2004 – 05

Objective

To generate income from the Basin Fund investments.

Performance Measures	Results 02 – 03	03 – 04	04 – 05	Targets 05 – 06	06 – 07	07 – 08
Current Annual Return on Investment (ROI)	3.8%	(13.8%)	(1.1%)	6%	6%	6%
Average Annual Return on Investment (ROI) since inception	3.7%	1.2%	0.9%	6%	6%	6%

Note: The objective and performance measure have been revised. The objective has changed revenue to income to use the proper accounting terminology. CBT accrues income not revenue. The performance measure has been revised to include both Current Annual Return on Investment (ROI) and Average Annual Return on Investment (ROI) for better and more detailed disclosure of the performance measure.

Managing Risk

Several strategies are in place to manage risk in the Basin Fund (i.e., non-power investment).

- Performance is calculated in accordance with Certified Financial Analyst Institute (CFA) standards.
- Investments are in accordance with investment policies/procedures developed in consultation with Watson Wyatt Worldwide and adopted by CBT's Board of Directors in May 2002.
- CBT's Investment and Audit committees seek third-party expert advice and guidance in decision-making.
- CBT works to enhance the economic self-sufficiency of the Basin by strengthening and diversifying the regional economy, while maintaining the real value of the capital over the long term.

Explanation of Results

In the early stages of the creation of the Basin Fund there was a desire to create a diversified portfolio that was well protected from losses, and at the same time invest this capital in the Columbia Basin in order to stimulate the economy in the region. While these intentions were well meaning, the practicality of accomplishing these laudable goals was limited, given the difficulties of investing in a thinly populated region like the Columbia Basin and then expecting Canada-wide market-based returns. The experience to date with the investment returns in the Basin Fund reflects this reality.

Significant write-downs and write-offs in the Basin Fund have forced CBT to revisit its approach to investing this capital and take a more conservative approach going forward. The poor experience to date with venture capital investments has resulted in a decision by the Investment Committee of the CBT Board to revisit making any further investments in this area for the foreseeable future. In fiscal 2005, the remaining capital CBT had in venture capital investments was written off to reflect the dissolution of operations at Heatwave Drying Systems and the lack of successful tests to prove out the technology at KPS Materials Technologies Inc.

The results of CBT's investments in real estate were more favourable. One new congregate care facility was completed and two new projects were started in the year, with the expectation that each will provide a steady stream of positive cash flow returns for many years to come. These investments are attractive from a demographic point of view in that the demand for seniors' housing is growing as the population of the country ages. This is reflected in the high level of demand for these facilities before construction even begins. Positive cash flow to equity returns of over 8 percent was earned in the year on these investments.

CBT's real estate investment in congregate care facilities in the Basin is a success story.

The successful real estate sales and ski operations at the Kicking Horse Mountain Resort in Golden, B.C., provided CBT with positive income results for another consecutive year in fiscal 2005. Real estate sales at the Palliser Lodge and the Black Bear Lodge, two new condominium projects at the base of the hill, were much higher than expected. The interest in future sales of real estate has been quite high, which points to further success with this investment in the future. The vibrant economy in Alberta and the proposed expansion of the airport in Cranbrook are both expected to contribute to the continued success of the Kicking Horse Mountain Resort.

Interest income from commercial loans in the *Loan Syndication Program* was lower due to a reduction in the total loan balances because of principal repayments in the year. The year-end balances of loans in the regional lending program were also lower because of principal repayments. These investments in commercial loans provided in excess of $760,000 in interest income in fiscal 2005.

NON-POWER INVESTMENTS – PROJECT HIGHLIGHT

Seniors' Housing Projects Shelter More Than Investments

As part of its investment program, CBT has invested $3.8 million in seniors' housing projects across the Basin. In 2004 construction began on two CBT-funded projects – one in Creston and the other in Invermere.

These real estate investments provide a unique opportunity for CBT to help leverage investment dollars by working with other partners, while creating much-needed accommodation for our seniors. At the same time these investments will provide CBT with a steady stream of cash flow, which in turn can be used to fund the Delivery of Benefits Program.

The housing projects in Fernie, Castlegar, Invermere, and Creston resulted in investments of more than $32 million, which provided more than 288 living units. The first of the four projects, Castle Wood Village in Castlegar, is fully rented with a 50-person waiting list.

These projects demonstrate CBT's commitment to invest in projects that meet a variety of objectives and enhance the economic self-sufficiency of communities in the Basin.

These projects also create local employment and positive economic spinoffs during the construction and operational phases. So far, CBT's investment in seniors' housing across the Basin has created more than 145 full- and part-time jobs (not including construction), clearly demonstrating not only sound investment practice, but also supporting the vision to create a place where social, environmental, and economic well-being is fostered.

Congregate care facilities in the Basin are allowing residents to get the care they need, close to their families and communities.

PERFORMANCE REPORT

Linking Goals & Objectives to Performance

Delivery of Benefits

Goal 1. Enhance the ability of CBT to strengthen the social, economic, and environmental well-being of the Basin, its residents and communities.

Performance Compared to Targets — Delivery of Benefits 2004 – 05

Objective

1. To effectively gain knowledge of and apply resources to community, regional, and cross-sectoral priorities and issues.

Performance Measures	Results 02 – 03	Results 03 – 04	Results 04 – 05	Targets 05 – 06	Targets 06 – 07	Targets 07 – 08
Residents rate the consistency between CBT Delivery of Benefits funding decisions and *Columbia Basin Management Plan* priorities.	Measure not used; no comparable data.	Measure not used; no comparable data.	Community focus groups identify priorities. Research done on other data collection methods (comment section on website/ feedback form on *Report to Residents*). Evaluation information reported on.	Baseline rate of consistency established. Changes made to future priorities and/or funding decisions based on information coming out of performance measures and reported publicly.	Rate increased by 2% from baseline. Changes made to future priorities and/or funding decisions based on information coming out of performance measures.	Rate increased by 2% from baseline. Changes made to future priorities and/or funding decisions based on information coming out of performance measures.

2. To ensure effectiveness in the delivery approaches used in the Delivery of Benefits Program.

Effectiveness rating on CBT's delivery processes by those CBT works with through the Delivery of Benefits Program.	Measure not used; no comparable data.	Measure not used; no comparable data.	Pilot projects undertaken in two program areas.	Conduct two additional evaluations of delivery processes, using appropriate data collection tools.	Conduct two additional evaluations of delivery processes.	Conduct two additional evaluations of delivery processes.
Rating of perceptions of grantees on survey.	Measure not used; no comparable data.	Measure not used; no comparable data.	Initial research undertaken.	Average rating compared other Foundations' performance as measured by Center for Effective Philanthropy (CEP) Grantee Perception Report (CEP Grantee Perception Report Average Rating).	Changes made as a result of information coming out of grantee survey. Develop ways to undertake periodic evaluations of grantees' perceptions.	Implement process for periodic evaluations of grantee perceptions.

Performance Measures	Results 02 – 03	Results 03 – 04	Results 04 – 05	Targets 05 – 06	Targets 06 – 07	Targets 07 – 08
Proportion of grantees with project results consistent with CBT policies and procedures reported (changed in 06 – 08 Service Plan to: Percentage of funds granted with project results consistent with CBT monitoring and evaluation policies and procedures. See explanation below)	Measure not used; no comparable data	Measure not used; no comparable data	In progress	25% (revised in 06 – 08 Service Plan)	40% (revised in 06 – 08 Service Plan)	50% (revised in 06 – 08 Service Plan)

Managing Risk

Strategies are in place to manage risk within the Delivery of Benefits Program.

- Provide staff training to increase effectiveness in balancing residents' expectations with constraints of funding levels and addressing the issue of fairness within a capacity building model which leads to better advice being given to grant applicants.
- Inform and educate Basin residents to increase knowledge and awareness of CBT's funding limitations and the benefits of a community capacity building model of delivery, which is leading to more realistic expectations on CBT.

Explanation of results

CBT has a varied and extensive Delivery of Benefits Program. In fiscal 2004 – 05, $4.28 million was granted to 515 projects through twelve different grants programs. In fiscal 04 – 05 a new more responsive model for Delivery of Benefits was developed and implemented in the *Community Development Program*. CBT's Youth Initiatives conducted a major review and restructuring of their programs for fiscal year 05 – 06, which incorporates the more flexible and responsive ideals of the *Community Development Program*.

Performance measures for the Delivery of Benefits in our Service Plan focus on evaluation of a few, critical aspects of performance that enable CBT to measure how well its funding choices are meeting the needs of, and reflecting the priorities of, Basin residents. The performance measures also allow CBT to gauge how effective its approach to funding is and the degree to which evidence-based evaluation is being integrated into all organizational activities, including those supported through CBT funding (i.e., are the organizations receiving funding from CBT tracking their performance against targets?).

These are new performance measures and the targets used to measure performance are largely qualitative, developmental, and process-oriented. As indicated, most of the targets have been met in part and some have been revised to allow for more development time.

DELIVERY OF BENEFITS – PROJECT HIGHLIGHT

Helping Basin Residents Get the Skills to Improve Their Lives

In the last year, 407 Basin residents received the help they needed to improve their skills and find employment, thanks to CBT's *Training Fee Support Program*. This bursary-style program provides one-time financial support up to $500 for training and education necessary for employment and is delivered by more than 14 local Employment Assistance Centres on behalf of CBT. Funds are directed to a range of training and education institutions across the Basin. Computer courses, first aid training, and many tourism and hospitality-sector courses such as "Serve It Right" and "Food Safe" are often all it takes to "open doors" to better employment options – and this program is the key.

This program is another example of how CBT is helping to support and strengthen local individuals, families, and communities.

This effective delivery model is working. Many recipients have found or improved their employment as a result of training they have accessed through the *Training Fee Support Program*.

By providing local access to this well-received and growing funding program, many unemployed or under-employed Basin residents who meet the Training Fee Support criteria have the opportunity to improve their skills and enhance their employment choices. This program fills a void by offering short-term certification not available elsewhere. Applicants get an answer quickly and are able to start changing their lives immediately. This program is another example of how CBT is helping to support and strengthen local individuals, families, and communities by empowering residents to make better choices in their own lives.

Ensuring that Basin residents can access CBT's *Training Fee Support Program* is a priority for the Job Seekers staff that coordinate the program on behalf of CBT.

Corporate Services

Goal 1: Support and enable CBT Board and staff to deliver the Investment and Delivery of Benefits programs effectively.

Performance Compared to Targets

Corporate Services 2004 – 05

Objective

To ensure effective provision of support services.

Performance Measure	Results 02 – 03	Results 03 – 04	Results 04 – 05	Targets 05 – 06	Targets 06 – 07	Targets 07 – 08
Proportion of staff rating each service area service provision as effective.	Measure not used; no comparable data.	Measure not used; no comparable data.	Target not met.	Data collection methods for service area reviews established (revised in 06 – 08 Service Plan).	Overall baseline established. Baseline for service areas established. Report changes made based on information coming out of the service area review for each service area (revised in 06 – 08 Service Plan).	Increase of 2% on overall and each service area baseline. Report changes made based on information coming out of the service area review for each service area (revised in 06 – 08 Service Plan).

Managing Risk

Several strategies are in place to manage risk within Corporate Services.

- Develop effective change management strategies (i.e., planning sessions, internal communications, effective information gathering/dissemination, succession planning and maintaining strong relationships with Basin residents, organizations, and agencies.)
- Provide effective staff training around capacity building and contract management.

Explanation of Results

The timeline established to meet the measurement targets set for Corporate Services in the 2005 – 07 Service Plan was underestimated. Internal capacity constraints were a major contributing factor. The responsibility for this task is a new "add-on" for staff already focused on other priorities. In addition, staff are challenged to develop the expertise required to achieve this monitoring and reporting responsibility, particularly in this fiscal year with staff involved in discussions of potential Columbia Basin Initiative restructuring. As a result, CBT has not achieved the measurement targets set for this core service area, however Corporate Services continued to operate efficiently and support the core business areas of the organization.

CORPORATE SERVICES – PROJECT HIGHLIGHT

Joint Venture Partners Share Information Technology Services

Information Technology Services (ITS) plays a key role in supporting CBT's effort to establish an environment in which the application of technology enhances and improves the ability of its staff and Board to work efficiently in a geographically dispersed organization. The department is also responsible for overseeing the installation and ongoing maintenance of the organization's network and phone system.

Along with supporting CBT, the ITS department has leveraged its resources to support the needs of its power partner Columbia Power Corporation (CPC). This cost-efficient agreement has allowed both organizations to benefit by sharing the expense of similar technology needs. It has ensured that ITS can continue to provide the current technology that will allow both organizations to be very effective in the years to come.

Information Technology Services are critical to the efficient and cost-effective operation of CBT.

In all, ITS provides technical support for around 100 corporate computer systems including servers, workstations, and desktop equipment throughout the four CBT offices in the Basin as well as CPC offices in Castlegar and Victoria. The system also allows remote access to the network from anywhere in the world. ITS supports a range of software applications from the usual office programs to specialized software-monitoring systems in the hydroelectric projects. They are responsible for website maintenance and development and have created several specialized software applications to meet the specific business needs of CBT and CPC.

CBT relies on Information Technology Services staff for a variety of high-tech services.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The mandate of CBT broadly reflects the economic, environmental, and social goals set by the Province in its most recent strategic plan. The day-to-day activities and achievements of CBT's Investment and Delivery of Benefits programs clearly demonstrate how CBT's activities support the Province's economic and social goals.

CBT's goals are in line with the Province's social, economic, and environmental strategic priorities.

Provincial Goals

- A strong and vibrant provincial economy
- A supportive social fabric
- Safe, healthy communities and a sustainable environment

Economic Goals

CBT is committed to creating a strong and vibrant Basin economy that is self-sufficient, diverse, resilient, and energized. CBT has invested more than $309 million in the Basin through its power and non-power investments.

Power investments

Since 1996, the joint venture power projects have made significant contributions to the Basin economy. CBT and CPC purchased the Brilliant Dam in 1996 and finished upgrading its capacity in 2002, which meant more power could be produced. From 1999 to 2002, construction of the joint venture power project, Arrow Lakes Generating Station (ALGS), was underway. More than 400 workers were employed at ALGS at the peak of construction, and the region saw millions of dollars worth of spending as a result. Work began on the Brilliant Expansion project in 2003 and since then over $20 million worth of supplies and services have been purchased locally. An average of 150 trade jobs per year have been created by the construction and another $30 million in wages has been put into the local economy. Besides the immediate economic benefits from construction, the completion and operation of these projects within the Basin creates long-term economic benefits for the Basin as well as the Province. Each completed project generates income from power sales, which CBT uses to deliver benefits – including a range of economic programs – to Basin residents.

CBT is committed to creating a strong and vibrant Basin economy.

Non-power investments are having a similar impact. For example, CBT-funded housing projects for seniors have created 145 permanent, full- and part-time jobs, not including construction jobs, wages, and economic spinoffs. CBT's *Loan Syndication Program* in partnership with Basin credit unions has provided needed funding for Basin economic development. CBT has also invested in tourism and resort investments that help diversify the economy and reduce the reliance on resource-based activities. These investments create lasting assets that will continue to provide employment and enhance tourism in the Basin for years to come.

Delivery of Benefits Program

Delivery of Benefits Program grants have provided major funding of projects which stimulate Basin economies. Fiscal 2004 – 05 saw major funding of the Museum, Archives and Art Gallery project in Nelson and the Burgess Shale Earth Science Discovery Centre in Golden as well as many other projects that supported local economic development initiatives.

CBT-funded projects are creating a legacy for Basin residents and strengthening communities across the Basin.

CBT also offers a Delivery of Benefits Program specifically designed to support existing Basin businesses. *Basin Business Advocates* is a program that provides free consulting services that have already helped more than 600 businesses become more efficient and competitive.

Social Goals

CBT is committed to fostering and supporting social well-being. The Delivery of Benefits Program provides funding for a range of Basin-based projects that support the vulnerable among us and foster creativity and literacy, among other goals.

CBT has funded major seniors' housing projects in the Basin, providing our aging population with much-needed accommodation within, or close to, their hometowns. Literacy has long been a priority for CBT, which has provided $840,000 for early literacy initiatives. The Basin area is known for its many talented artists. In order to meet their needs, the Columbia Kootenay Cultural Alliance, a coalition of local Arts Councils, administers CBT funding for arts, culture and heritage. CBT provided $220,000 to fund the development of a much-needed museum, art gallery, and archive in the City of Nelson. This venue will strengthen Nelson's reputation as a "small arts town," support local artists, and help diversify the regional economy.

Environmental Goals

CBT is committed to supporting the development of environmental well-being for present and future generations in the Columbia Basin. In its vision, CBT acknowledges that "a healthy environment forms the basis for social and economic activities." From the outset, the environment has been a priority area, and CBT has established a multi-stakeholder, community-based committee to contribute environmental perspectives to its planning and program delivery.

CBT acts on its environmental commitment through its approach to the programs and activities it funds. For example, its recent *Water Initiatives Program* is based on increasing awareness among Basin residents about water quality and quantity issues. CBT has established its *Environmental Initiatives Program*, with a focus on conservation and local partnerships to facilitate both private land conservation issues and community-supported projects that address impacts on local or regional ecosystems. Human settlement is one of the key factors contributing to species and habitat loss. Supporting this program will help ensure a sustainable environment.

FINANCIAL REPORT
Management Discussion and Analysis – Fiscal 2005

Overview

Columbia Basin Trust (CBT) invests in hydroelectric energy assets, real estate, resorts, and commercial mortgages in order to generate income to fund the Delivery of Benefits to residents of the Columbia Basin region. In the long term, CBT envisions a conservative, diversified investment portfolio that generates a consistent level of income and cash flow from the placement of CBT's capital in these businesses and assets.

Several critical factors could affect CBT's ability to fulfill its vision. These factors include the risks associated with the construction of a hydroelectric power plant and the pricing of energy from power plants under construction. Business risks associated with investing capital in a confined, sparsely populated region of B.C. that is a long distance from a major urban centre are also factors that may affect CBT's investment strategy.

Key Performance Drivers

Constructing and properly operating hydroelectric power plants without disruption is critical to CBT's success. If difficulties are experienced in the construction and subsequent operation of a hydroelectric power plant, they could have a tremendous impact on the income and cash flows received by CBT. Any reduction in these income and cash flow levels, whether temporary or permanent, will have an immediate impact on the level of benefits delivered to Basin residents.

An intelligent approach to investing the non-power investment capital is essential for CBT to fulfill its long-term vision. CBT must demonstrate first that it is possible to successfully invest capital in a small region of the province of B.C. and second, to generate reasonable risk-adjusted market rates of return in doing so. A more conservative approach to investing the non-power investment capital will provide CBT with a steady stream of cash flow and income in the future without disruption from write-downs of speculative investments.

CBT must demonstrate first that it is possible to successfully invest capital in a small region of the province of B.C. and second, to generate reasonable risk-adjusted market rates of return in doing so.

Capability to Deliver Results

CBT has the necessary capital to construct and operate the hydroelectric power plants it currently owns. Access to additional capital is available with the heightened interest in energy assets among the major investment banks in North America. Low cost financing for the construction of new power plants is available in the current low interest rate environment of today's marketplace. The Board members of CBT, and its energy subsidiary, CBT Energy Inc. (CBTE), have the necessary expertise to oversee the development and management of the energy assets and other investments in CBT's portfolio. CBT's use of consultants and advisory firms provides the required technical expertise to make informed and intelligent decisions about the marketing of power from hydroelectric power plants under construction.

CBT received the fourth $50-million payment under the 1995 Financial Agreement from the Province on April 1, 2004. This capital was applied to financing the construction of the Brilliant Expansion. The

$50-million payment was applied against the receivable from the Province and the payable to Columbia Power Corporation (CPC). Future income from power project sources and non-power investments will continue to build up CBT's reserves and improve its liquidity and capital resources.

Results of Operations

The results of the past year have been very mixed, with successes in some areas being offset by disappointments in others. The construction of the Brilliant Expansion is continuing as planned while repairs to the intake channel of the Arrow Lakes Generating Station (ALGS) are proving to be a challenge. Real estate investments in congregate care facilities continue to provide CBT with ongoing cash flow returns, and the investment in the Kicking Horse Mountain Resort continues to appreciate each year with better than expected real estate sales at the resort. By comparison, CBT's investment in the St. Eugene Mission Golf Resort has been a disappointment. After the resort was sold to new buyers in the year, CBT recovered only a small portion of the original capital it had invested.

The results of the past year have been very mixed, with successes in some areas being offset by disappointments in others.

Venture capital investments in startup companies are being re-examined as a result of the loss of all of the original capital invested in companies of this nature. Venture capital investments by their very nature involve a higher level of risk than most investments in return for the possibility of a much higher payback. Dedicating investment capital to these types of investments requires a very specialized set of skills, either through the use of consultants or by retaining internal staff that have this expertise. Placing funds in investments of this nature without the necessary expertise exposes the organization to a much higher level of risk than most endowment funds are comfortable with. Negative returns in the Basin Fund portfolio over the past couple of years are a direct result of this experience. The Investment Committee of the CBT Board will be closely examining the role of venture capital investments in the Basin Fund portfolio.

Construction of the Brilliant Expansion continued in the year with an additional $74 million in construction costs incurred. Currently, this project is slightly behind schedule but is expected to be operational by September 2006. Main construction activities during the year consisted of additional excavation of the power plant site, construction of formwork, and the placement of concrete. Of the total concrete that is to be poured, half had been put into place by the end of the fiscal year.

In May 2004, damage occurred to a portion of the concrete lining at the bottom of the intake channel of ALGS. Emergency repairs and contingency measures were undertaken in order to ensure the integrity of the channel was maintained. An assessment is currently underway to determine if permanent repairs to the channel will be necessary. If it is determined that permanent repairs are necessary, then this assessment will provide critical information to determine when the permanent repairs will be undertaken and the nature of those repairs. Recovery of costs incurred in repairing the channel from

insurance policies and performance guarantees and securities provided for in the contract with the construction contractor is currently being pursued.

Additional investments in congregate care facilities were made in the year with the decision to invest in projects in Invermere and Creston. Columbia Garden Village, the Invermere facility, is a 63-unit congregate care/assisted living project scheduled to open in the summer of 2005. Crest View Village in Creston is a 74-unit congregate care facility that was started in October 2004 and should be completed in July 2005. Rocky Mountain Village in Fernie is a 75-unit residential care/assisted living complex that opened in September 2004. Castle Wood Village in Castlegar completed another full year of successful operations and continues to provide CBT with a steady stream of cash flow.

Real estate sales at the Kicking Horse Mountain Resort were much higher than expected at the Palliser Lodge and Black Bear Lodge, two new condominium projects at the base of the hill. It is anticipated that there will be a further acceleration of real estate sales over the next few years at the resort. CBT's investment in the St. Eugene Mission Golf Resort was finalized in the year. After the St. Eugene Mission Hotel and Golf Course Funding Corporation sought protection from creditors under the *Companies Creditors Arrangement Act*, CBT arrived at a settlement with the court-appointed restructuring officer and agreed to a final payment of just over $1 million. The resort was sold to a new joint venture partnership for $11.1 million and all non-secured creditors received very little for their claims. All secured creditors such as CBT received significantly less than the full amount of their claims.

CBT's venture capital investments to date have consistently underperformed. During the year Heatwave Technologies Inc. ceased operating as an ongoing business due to lack of financial support from its owners and the lack of financial resources from continuing operations. Sales of kilns to interested buyers did not materialize in time to allow the company to continue functioning. CBT's investment in KPS Materials Technologies Inc. was fully written off in the year due to unsuccessful tests of the viability of its technology. The Investment Committee of the CBT Board is re-evaluating its approach to venture capital investments and anticipates a change in its overall approach to investing Basin Fund capital in this area.

Castle Wood Village in Castlegar is one of CBT's real estate successes.

Delivery of Benefit disbursements were $4.28 million in the year. This is the fourth year that disbursements have exceeded $4 million. Disbursements were widely spread across the education, economic, environment, and social sectors of the Delivery of Benefits Program. The majority of the communities in the Basin were provided with funding in some form through these disbursement programs.

The majority of the communities in the Basin were provided with funding in some form through these disbursement programs.

Risks

There is a significant level of risk in constructing hydroelectric power plants. This

risk became very evident with the difficulties CBT experienced as a result of the ALGS channel incident and the subsequent repairs to the channel. In addition, there is energy price risk associated with the future sale of power from hydroelectric power plants that are currently under construction. Financing the construction of new power plants involves interest rate risk. CBT and joint venture partner CPC seek to mitigate these risks by entering into fixed price construction contracts with extensive performance specifications, seeking power sales agreements with creditworthy purchasers, and only proceeding with financing when an acceptable investment return has been established.

Placing investment capital in a remote part of B.C. involves business risk due to the inability to successfully diversify the portfolio by placing the capital into investments that have a low correlation of returns with one another. Applying a very conservative investment philosophy in the placement of this capital offsets this geographic risk somewhat, and thoroughly researching investments and working with successful, experienced partners is another step to overcoming these risks.

COLUMBIA BASIN TRUST

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2005

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present CBT's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved on behalf of CBT's Board of Directors by the Board's Executive Committee.

Management has established and maintained appropriate systems of internal control including policies and procedures which are designed to provide reasonable assurance that CBT's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements.

The independent external auditors, Yule Anderson Johnstone, Chartered Accountants, have been appointed by CBT's Board of Directors to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, CBT's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian generally accepted accounting principles. The report of Yule Anderson Johnstone, Chartered Accountants is included below and outlines the scope of their examination and their opinion on the consolidated financial statements.

Josh Smienk
Interim Chief Executive Officer

Robert Krysac, C.G.A.
Chief Financial Officer

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Energy and Mines:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2005 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2005 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

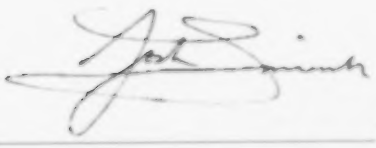
Yule Anderson Johnstone
CHARTERED ACCOUNTANTS

Castlegar, B.C.
May 31, 2005

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2005
(in thousands of dollars)

	2005	2004
ASSETS		
CURRENT		
Cash and temporary investments (Note 5)	$ 29,726	$ 28,523
Unbilled power project revenue	4,633	4,444
Insurance and other receivables (Note 3)	4,024	981
	38,383	33,948
INVESTMENTS		
Power projects (Note 9)	351,662	318,676
Income securities (Note 4)	15,007	10,896
Business loans (Note 6)	15,825	17,050
Real estate (Note 7)	12,607	7,597
Venture capital	-	1,909
	395,101	356,128
OTHER		
Commitment receivable from Province of B.C. (Note 13)	28,126	56,362
Deferred amounts (Note 10)	22,258	19,623
	50,384	75,985
	$ 483,868	$ 466,061
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 8,676	$ 7,335
Accrued interest expense	3,133	2,768
Current portion of long-term debt (Note 11)	5,142	4,212
	16,951	14,315
LONG-TERM DEBT		
Long-term debt (Note 11)	130,707	107,283
Advance from Columbia Power Corporation (Note 13)	23,088	51,323
	153,795	158,606
NET ASSETS (Restricted To)		
Power project investments (Note 16(a))	255,058	234,240
Non-power investments (Note 16(b))	53,754	52,521
Delivery of benefits (Note 16(c))	4,310	6,379
	313,122	293,140
	$ 483,868	$ 466,061

Approved on behalf of the Board of Directors:



Chair

Vice-chair

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDING MARCH 31, 2005
(in thousands of dollars)

	2005	2004
REVENUES		
Net investment income		
Power projects (Note 9)	$ 5,672	$ 7,633
Business loans (Note 6)	1,112	1,124
Income securities	467	665
Real estate (Note 7)	33	(47)
	7,284	9,375
Contribution		
Province of B.C. (Note 1(b))	2,000	2,000
	9,284	11,375
OPERATING EXPENSES		
Board and committee expenses	158	146
Staff remuneration and development	1,857	1,661
Public relations	108	59
Professional and consultants fees	126	141
Corporate travel and meetings	175	169
Information technology/systems	115	110
Office and general	291	280
Amortization	182	229
	3,012	2,795
OPERATING INCOME	6,272	8,580
Investment program write-downs and write-offs (Note 21)	3,778	7,814
Delivery of benefits (Note 18)	4,276	3,866
EXCESS OF EXPENSES OVER REVENUES	$ (1,782)	$ (3,100)

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2005
(in thousands of dollars)

	Restricted To				
	Power Projects Investments	Non-Power Investments	Delivery of Benefits	2005	2004
NET ASSETS, beginning of year	$ 234,240	$ 52,521	$ 6,379	$ 293,140	$ 294,242
Power project financing earned from the Province of B.C.	21,764	-	-	21,764	1,998
Excess of expenses over revenues	-	-	(1,782)	(1,782)	(3,100)
Additional power project cash distributions available for the spending program	(946)	-	946	-	-
Minimum reinvestment required to maintain endowment capital	-	1,233	(1,233)	-	-
NET ASSETS, end of year	$ 255,058	$ 53,754	$ 4,310	$ 313,122	$ 293,140

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING MARCH 31, 2005
(in thousands of dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment deposits and securities income	$ 453	$ 684
Cash received from business loan income	1,114	1,011
Cash received from rental income	281	144
Cash paid for venture capital investigation expenses	-	(47)
Cash generated by power project joint ventures and distributed	4,450	6,410
Cash generated by power project joint ventures and not distributed	6,540	7,251
Cash received from the Province of B.C.	2,000	2,000
Cash paid for Columbia Basin Initiative restructuring costs	(1,144)	-
Cash paid for operating expenses	(2,857)	(2,460)
Cash paid for spending program disbursements	(4,276)	(3,866)
	6,561	11,127
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(40,299)	(50,487)
Investment in deferred power project costs	(1,518)	(1,040)
Disposal (purchase) of investment deposits and securities	(4,111)	3,760
Investment in business loans	1,273	(427)
Investment in real estate projects	(5,325)	(2,115)
Investment in venture capital	(120)	(410)
Purchase of Trust office assets	(86)	(39)
Proceeds from disposal of real estate	-	161
	(50,186)	(50,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from the Province of B.C.	50,000	50,000
Repayment of long term advance from Columbia Power Corporation	(28,235)	(48,003)
Proceeds from placement of long-term debt	27,384	48,923
Repayment of long-term debt	(4,321)	(1,436)
	44,828	49,484
INCREASE IN CASH	1,203	10,014
CASH, beginning of period	28,523	18,509
CASH, end of period	$ 29,726	$ 28,523

The accompanying notes are an integral part of this consolidated statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars)

1. NATURE OF COLUMBIA BASIN TRUST

(a) Columbia Basin Trust Act, 1995, Columbia Basin Trust Amendment Act, 2003

Columbia Basin Trust (CBT) is a not-for-profit corporation established on July 6, 1995 when Royal Assent was given to the Columbia Basin Trust Act, an Act of the Province of British Columbia. On January 15, 2004, the Columbia Basin Trust Amendment Act, 2003 came into force. The original Columbia Basin Trust Act states that CBT is not an agent of the Province, which remained the same under the Amendment Act. The Amendment Act states that CBT has the power and capacity of a natural person and has been continued as a regionally based Crown corporation with a legislated mandate to invest in the economic, social and environmental well being of the region under the guidance of the Columbia Basin Management Plan. The Board of Directors of CBT has been reformed so that there is equal representation from the Province and the region. The sole share of CBT is to be held by the Minister of Finance and Corporate Relations on behalf of the Province.

(b) Funding of Columbia Basin Trust and Power Project Investments

Under the Agreement of July 27, 1995 between the Province and CBT, the Province will pay CBT, for purposes of paying operating expenses, $2,000 annually through the year 2010 (a total commitment of $32,000). On April 1, 1996, the Province made a regional benefit program payment to CBT of $45,000. The Province will pay CBT, for the purposes of investing in power projects, the sum of $250,000 by payments of $50,000 on April 1st of each of the years 2001 through 2005 and an additional payment on April 1, 2000 equal to half the book value of the Expansion Rights Amount (expansion rights pertaining to the existing Brilliant and Waneta dams' power generation capability). The book value of the Expansion Rights Amount as at March 31, 1997 was $51,850.

Columbia Power Corporation (CPC) was incorporated under the Company Act in 1994 to hold power development assets purchased from Cominco Ltd. CPC is an agent of the Crown and manages commercial joint ventures with CBT to develop and operate power projects in the region. The Province covenants to invest $250,000 in CPC, for the purpose of paying capital costs of the power projects, by payments of $50,000 on April 1st of each of the years 1996 through 2000 and a reduction in the April 1, 2000 payment equal to half the book value of the Expansion Rights Amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accounts of CBT and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated. The interest of CBT's subsidiaries in joint ventures is consolidated by CBT on a proportionate basis. Under the proportionate consolidation method, CBT records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(b) Revenue Recognition

CBT follows the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets. Future power project financing payments are recognized as a long-term commitment receivable from the Province to the extent that they have been earned, and based on the criteria that the amount earned can be reasonably estimated and ultimate receipt from the Province is reasonably assured.

(c) Income Securities

Deposits and short-term debt securities held for investment purposes are recorded at cost, which approximates market value. If the value of a particular deposit or security held for investment suffers an other than temporary decline in value the carrying value is written down accordingly. All gains and losses on sales of securities, write-downs to record other than temporary declines in the values of deposits or securities held for investment, and the amortization of discounts or premiums are included in the net investment income from income securities figure in the consolidated statement of operations.

(d) Business Loans

Loans are stated net of an allowance established to recognize anticipated losses. This allowance is determined by reference to specific loans in arrears and by judgment of management based on loan collection experience. A general allowance is also maintained to absorb credit losses attributable to any deterioration in the loan portfolio for which specific allowances cannot yet be determined.

(e) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to write-off the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Power project

Arrow Lakes power project	-straight line over 11 to 100 years
Brilliant power project	-straight line over 30 to 60 years

(ii) Real estate

Buildings and improvements	- straight line over 30 years

(iii) CBT office

Computer equipment and software	- straight line over 3 years
Office furniture & equipment	- straight line over 5 years
Leasehold improvements	- straight line over 7 to 10 years
Building	- straight line over 30 years

(f) Deferred Amounts

Costs incurred in determining the feasibility of acquiring investments are deferred. When a project's acquisition or development is complete, the deferred costs form part of the capital cost of the project. If a project is abandoned, the related deferred costs are charged to operations in the period of abandonment. The appropriateness of deferring a project's costs is considered annually. When a project's costs exceed those likely to be recovered, the excess costs are charged to operations.

(g) Deferred Debt Issue Costs

Expenditures incurred in issuing long-term debt are deferred and amortized on a straight line basis over the term of the related debt.

(h) Taxes

CBT is exempt from income taxes under paragraph 149(1) (d) of the Income Tax Act. CBT is also exempt from Federal large corporations tax under subsection 181.1(3) of the Income Tax Act.

(i) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Asset Retirement Obligations

Some of CBT's assets may have asset retirement obligations. As CBT expects to use the majority of its assets for an indefinite period, no removal date can be determined and as a result, a reasonable estimate of the fair value of any asset retirement obligations cannot be made at this time.

3. INSURANCE AND OTHER RECEIVABLES

	March 31, 2005	March 31, 2004
Insurance receivable for channel repair costs	$ 2,389	$ -
Accrued investment income	1,635	981
	$ 4,024	$ 981

In May 2004, damage occurred to a portion of the concrete lining at the bottom of the intake channel of the Arrow Lakes power plant. Emergency repairs and contingency measures were undertaken in order to ensure the integrity of the channel is maintained. An assessment is currently underway to determine if permanent repairs to the channel will be necessary. If it is determined that permanent repairs are necessary, then this assessment will provide critical information to determine when the permanent repairs will be undertaken and the nature of the permanent repairs. Recovery of costs incurred in repairing the channel from insurance policies in place is currently being pursued.

The total cost of the channel damage during the year was $14,700 (CBT's portion - $7,350), which consisted of $7,900 in repairs (CBT's portion - $3,950) and $6,800 in lost revenue (CBT's portion - $3,400). The total recovery recorded in the financial statements is $10,778 (CBT's portion - $5,389). This consists of advances totalling $6,000 (CBT's portion - $3,000) that has been received from the property insurer toward the settlement of the insurance claim and an expected further recovery of $4,778 (CBT's portion - $2,389) from various sources. The final impact of the channel damage cannot be determined with certainty at this time.

4. INCOME SECURITIES

(a) Income Securities Portfolio

	March 31, 2005	March 31, 2004
Issued by Credit Unions:		
Revelstoke Credit Union	$ 4,991	$ 4,877
Columbia Valley Credit Union	5,000	2,080
Arrow Credit Union	43	40
	10,034	6,997
Issued by Chartered Banks:		
TD Canada Trust	4,973	2,913
Bank of Nova Scotia	-	986
	4,973	3,899
	$ 15,007	$ 10,896

(b) Restrictions on Income Securities

$4,973 of the $15,007 income securities figure is not available to CBT. This amount includes CBT's $3,923 share of a Debt Service Reserve Fund and $1,050 share of a segregated Operating Reserve Account required under the terms of joint venture debt financing. Brilliant Power Corporation (BPC) has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Brilliant Project Bonds. BPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses.

5. RESTRICTED CASH

Cash and temporary investments includes the amount of $4,959 (fiscal 2004 - $5,337) which is restricted to payment of construction trust liabilities.

6. BUSINESS LOANS

CBT has included in its consolidated financial statements and notes the following business loans:

	March 31, 2005	March 31, 2004
Loan Syndication Program	$ 7,425	$ 7,589
Regional Lending Program	1,878	2,356
Kicking Horse Mountain Resort	5,619	5,619
Columbia Mountain Open Network	1,050	696
St. Eugene Golf Course	-	7,890
	15,972	24,150
Deferred Loan Costs	19	310
	15,991	24,460
Less: Loan Loss Allowance	(166)	(7,410)
Business Loans	$ 15,825	$ 17,050

	March 31, 2005	March 31, 2004
Loan Loss Allowance:		
Impaired Loans	$ 140	$ 8,457
Less: Amounts where loss is not expected	(63)	(1,134)
Specific allowances	77	7,323
General loan loss reserve	89	87
Loan Loss Allowance	$ 166	$ 7,410

(a) Loan Syndication Program

CBT has established a loan syndication program to provide liquidity to the capital markets in the Basin by matching funds through a pooling arrangement with the financial institutions in the Basin. The terms of these loans range in length from three to fifteen years and are generally secured by real estate.

(b) Regional Lending Program

CBT has provided lending capital to the Community Futures Development Corporations of the Columbia Basin Region for lending to small businesses. The terms of these loans range from one to five years and are generally secured by real estate.

(c) Kicking Horse Mountain Resort

The Kicking Horse Mountain Resort is a four-season alpine resort development situated in Golden, B.C. CBT has provided a 10 year term loan to the Kicking Horse Mountain Resort Limited Partnership at a minimum rate of 8% per annum and a variable interest component that is subject to the operating results of the borrower. The loan is repayable on December 7, 2009 and is secured by a second charge on all assets of the resort.

(d) Columbia Mountain Open Network

CBT has provided the Columbia Mountain Open Network (CMON) with interim financing to assist CMON in providing telecommunications services for the School District 20 pilot project. The loan is a non-interest bearing demand loan that is secured by a fixed and floating charge over all the assets of CMON.

Net business loan income consists of:

(For the years ended)	March 31, 2005	March 31, 2004
Business loan interest income:		
Loan Syndication Program	$ 533	$ 595
Regional Lending Program	236	234
Kicking Horse Mountain Resort	450	447
	1,219	1,276
Less:		
CBT overhead allocation	(75)	(57)
Investment monitoring costs	(28)	(20)
Loan syndication administration fees	(2)	(2)
CFDC loan administration fees	(52)	(82)
Loan loss provision-general	(2)	(3)
Loan loss provision-specific	-	(17)
	1,060	1,095
Fee income	52	29
Net business loan income	$ 1,112	$ 1,124

7. REAL ESTATE

CBT's interest in real estate projects is as follows:

	Cost	Accumulated Amortization	March 31, 2005	March 31, 2004
Castle Wood Village				
Land	$ 236	$ -	$ 236	$ 236
Building and improvements	3,620	(323)	3,297	3,421
Castlegar Building				
Land	52	-	52	52
Building and improvements	1,959	(261)	1,698	1,763
Rocky Mountain Village				
Land	311	-	311	-
Building and improvements	3,401	(59)	3,342	-
Projects under development	3,671	-	3,671	2,125
	$ 13,250	$ (643)	$ 12,607	$ 7,597

The real estate projects are held for the purpose of earning rental income. The portion of the Castlegar building occupied by CBT offices is excluded from real estate projects. Projects under development consist of the Columbia Garden Village in Invermere, B.C. and the Crest View Village in Creston, B.C.

Net real estate income (loss) consists of:

(For the years ended)	March 31, 2005	March 31, 2004
Rental income:		
Castle Wood Village	$ 341	$ 290
Rocky Mountain Village	165	-
Castlegar Building	125	125
	631	415
Rental expenses:		
Amortization of building and improvements	(248)	(190)
Finance charges	(250)	(167)
Operation of real estate assets	(74)	(62)
CBT overhead allocation	(26)	(43)
	(598)	(462)
Net real estate income	$ 33	$ (47)

8. JOINT VENTURES

CBT participates in joint ventures with other parties and accounts for its interests using the proportionate consolidation method. The following amounts represent CBT's proportionate share of the assets, liabilities, revenues, expenses and cash flows of these joint ventures:

	March 31, 2005	March 31, 2004
Assets		
Current assets	$ 25,415	$ 20,417
Investments	365,569	324,416
Other assets	21,324	18,573
	$ 412,308	$ 363,406
Liabilities		
Current liabilities	$ 16,062	$ 13,380
Long-term debt	128,533	108,456
Net Assets		
Power and non-power project investments	267,713	241,570
	$ 412,308	$ 363,406
Net Income		
Revenues	$ 30,786	$ 30,268
Operating expenses	(15,103)	(14,060)
Finance charges	(9,227)	(7,712)
	$ 6,456	$ 8,496
Cash Flows		
Operating activities	$ 13,074	$ 13,779
Investing activities	(48,698)	(53,264)
Financing activities	23,063	22,967
	$ (12,561)	$ (16,518)

9. POWER PROJECTS

	March 31, 2005	March 31, 2004
Brilliant Powerplant Project	$ 104,730	$ 105,400
Arrow Lakes Powerplant Project	148,222	151,322
Brilliant Expansion Powerplant Project	98,710	61,954
	$ 351,662	$ 318,676

CBT's operating power project assets are as follows:

	Cost	Accumulated Amortization	March 31, 2005	March 31, 2004
Brilliant Powerplant Project				
Capital assets in service	$ 116,575	$ (14,230)	$ 102,345	$ 103,041
Land	2,385	-	2,385	2,359
	118,960	(14,230)	104,730	105,400
Arrow Lakes Powerplant Project				
Capital assets in service	144,416	(9,435)	134,981	137,377
Power sales contract	11,376	(1,742)	9,634	10,353
Land	3,607	-	3,607	3,592
	159,399	(11,177)	148,222	151,322
	$ 278,359	$ (25,407)	$ 252,952	$ 256,722

CBT's power project asset under construction is as follows:

Brilliant Expansion Powerplant Project

	March 31, 2005	March 31, 2004
Construction-in-progress	$ 78,388	$ 41,632
Expansion rights	13,225	13,225
Deferred development costs	7,097	7,097
	$ 98,710	$ 61,954

(a) Brilliant Powerplant Project

The Brilliant Powerplant Project consists of a dam, headpond lands, and a 145 MW powerplant located on the Kootenay River near Castlegar, BC. With all four turbine upgrades and related life extension projects completed in 2002, this generating plant will deliver approximately 970 gigawatt hours of electricity annually.

(b) Arrow Lakes Powerplant Project

The Arrow Lakes Powerplant Project is a powerplant that consists of two generating units with a capacity of approximately 185 MWs constructed 400 meters downstream of the B.C. Hydro Hugh Keenleyside dam near Castlegar, B.C. Water enters the powerplant via a 1,500 meter approach channel bypassing the existing Hugh Keenleyside dam. The project also consists of a 48 km 230 kv transmission line that extends from the powerplant to the BC Hydro substation at Selkirk.

(c) Power Sales Right

CBT paid $11,376 for the right and obligation to provide up to 86 average MWs to B.C. Hydro from January 1, 2003 to December 31, 2014. CBT and CPC intend to fulfill their power delivery obligation by way of the Arrow Lakes Powerplant Project power entitlement from the B.C. Hydro system.

(d) Brilliant Expansion Powerplant Project

The Brilliant Expansion Powerplant Project involves the installation of an additional estimated 120 MWs power generation facility near the existing Brilliant dam. The Venturers own the Brilliant dam and the existing power facility. CBT's co-venturer CPC paid $26,500 in 1994 to Teck Cominco Limited (Teck Cominco) to purchase the rights to undertake an expansion. Expressions of interest were solicited and received from two international engineering, construction and turbine manufacturing teams for a design-build contract in July 2002.

The evaluation process resulted in the Brilliant Expansion Consortium (BEC) formed by Skanska/Chant/SNC Lavalin being chosen as the preferred bidder. Treasury Board approval for the project was received in January 2003. The Design-Build contract for $167,000 with BEC was signed February 25, 2003. Construction of the project began in April 2003. Under the contract, commercial operations are scheduled to begin in the summer of 2006. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule of payments to the contractor.

Net power project income consists of:
(For the years ended)

	March 31, 2005	March 31, 2004
Revenues:		
Arrow Lakes and Brilliant powerplant revenue	$ 28,817	$ 29,122
Insurance recovery net of costs	1,462	-
Expenses:		
Operation of powerplants	(8,666)	(7,333)
Finance charges	(8,360)	(6,689)
Amortization of powerplant assets	(6,668)	(6,607)
Investment monitoring and CBT overhead	(913)	(860)
	$ 5,672	$ 7,633

Insurance recovery net of costs consists of a $10,778 (CBT's portion - $5,389) recovery of repair costs and losses less $7,853 (CBT's portion - $3,927) in channel repair costs.

10. DEFERRED AMOUNTS

The deferred amounts figure includes the following asset categories:

	March 31, 2005	March 31, 2004
Expansion rights	$ 12,700	$ 12,700
Deferred development - Power projects	4,688	3,170
Deferred debt issue costs	3,936	2,702
CBT office assets	934	1,051
	$ 22,258	$ 19,623

(a) Expansion Rights

CPC purchased the hydroelectric power expansion rights pertaining to the existing Waneta dams' power generation capability from Cominco Ltd. in 1994. These rights include options to acquire lands near the Waneta dam at no additional cost and the right to develop and operate a new hydroelectric facility on this land.

(b) Deferred Development - Power Projects

The deferment of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying future cash flow estimates for a project can have a material effect on the economic viability of a project.

Project	Identification	March 31, 2004	Fiscal 2005 Expenditures	Transfers and write-offs	March 31, 2005
WEP	Waneta Expansion	$ 3,170	$ 1,580	$ (62)	$ 4,688

	Project Design	Environmental Analysis	Socioeconomic Analysis	Finance/Legal Analysis	CPC / CBT Management	March 31, 2005
WEP	$ 863	$ 1,269	$ 108	$ 323	$ 2,125	$ 4,688

Waneta Expansion Project

The Waneta expansion project is a proposal to install an additional estimated 435 MWs power generation facility at the existing Waneta dam. The Waneta dam is owned by Teck Cominco to whom CBT's co-venturer, CPC, paid $25,400 in 1994 to purchase the rights to undertake an expansion.

The project's construction cost is estimated to be approximately $300,000 over a four year period. It is projected that construction of the project will follow completion of the Brilliant Expansion Project. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirements will be funded by power project financing payments from the Province of B.C.

(c) Deferred Debt Issue Costs

	March 31, 2005	March 31, 2004
Deferred debt issue costs	$ 4,465	$ 2,978
Accumulated amortization	(529)	(276)
	$ 3,936	$ 2,702

(d) CBT Office Assets

	Cost	Accumulated Amortization	March 31, 2005	March 31, 2004
Computer equipment	$ 732	$ (658)	$ 74	$ 93
Computer software	478	(459)	19	26
Office furniture and equipment	276	(242)	34	57
Leasehold improvements	327	(246)	81	110
Building	885	(159)	726	765
	$ 2,698	$ (1,764)	$ 934	$ 1,051

11. LONG-TERM DEBT

	March 31, 2005	March 31, 2004
Power project debt:		
Brilliant project bond Series "A", bearing interest at 8.93%, maturing May 2026	$ 43,950	$ 44,613
Brilliant project bond Series "B", bearing interest at 6.86%, maturing May 2026	13,313	13,578
Brilliant project bond Series "C", bearing interest at 5.67%, maturing May 2026	24,906	-
Arrow Lakes project bond Series "A", bearing interest at 5.39%, maturing March 2015	46,239	49,471
Real estate joint venture debt:		
Castle Wood mortgage loan, bearing interest at 6.55%, maturing August 2006	2,621	2,672
Rocky Mountain mortgage loan, bearing interest at 5.75%, maturing November 2009	2,824	1,161
Columbia Village construction loan	1,996	-
	135,849	111,495
Current portion of long-term debt	(5,142)	(4,212)
	$ 130,707	$ 107,283

The Brilliant Bonds are redeemable by BPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%. The Arrow Lakes Bonds are redeemable in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond. The Bonds are secured on a limited recourse basis by charges against the Brilliant Dam and Arrow Lakes Dam assets and revenues.

The purpose of the Castle Wood mortgage loan (Castle Wood mortgage) was to provide financing for the acquisition of land and the construction of a 77-suite congregate care facility in Castlegar, B.C. called Castle Wood Village. Total mortgage proceeds of approximately $5,474 (CBT's portion is $2,737) was provided upon completion of the facility in June 2002. The mortgage is repayable in equal monthly payments of principal and interest amortized over 24 years and 9 months. The mortgage is secured by a first, fixed and floating charge over all the assets of the facility. The joint venturers of the Castle Wood Village joint venture are jointly and severally liable for the full amount of the Castle Wood mortgage.

The purpose of the Rocky Mountain mortgage loan (Rocky Mountain mortgage) was to provide financing for the acquisition of land and construction of a 75-suite congregate care facility in Fernie, B.C. called Rocky Mountain Village. Total mortgage proceeds of approximately $5,677 (CBT's portion is $2,839) was provided upon completion of the facility in September 2004. The Rocky Mountain mortgage is repayable in equal monthly payments of principal and interest amortized over 25 years and is secured on a limited recourse basis by a first, fixed and floating charge over all the assets of the facility. The joint venturers of the Rocky Mountain Village joint venture gave separate guarantees limited in the amount of $1,419 each.

Construction financing was provided for the construction of a congregate care facility in Invermere, B.C. called Columbia Garden Village. Total mortgage proceeds of approximately $5,725 will be provided upon the expected completion of the facility in May 2005. The mortgage will be repayable in equal monthly payments of principal and interest amortized over 25 years at an interest rate based on fixed rates or Canada Bond rates plus a premium for terms from one to six years. The mortgage will be secured by a first, fixed and floating charge over all the assets of the facility.

Principal repayments are estimated as follows:

2006	$ 5,142
2007	5,455
2008	5,789
2009	6,145
2010	6,524
Thereafter	106,794
	$ 135,849

12. NON-RECOURSE CREDIT FACILITY OF JOINT VENTURE

Consistent with its agreements with its Bondholders, BPC has established a $10,000 credit facility. The facility shares the same security as the Bondholders. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

13. ADVANCE FROM COLUMBIA POWER CORPORATION & COMMITMENT RECEIVABLE FROM PROVINCE OF B.C.

Under the terms of its joint venture agreements with CBT, CPC is required to make interest free advances to the joint ventures on behalf of CBT for the purpose of funding CBT's share of power project joint venture activities. Such advances are repayable by CBT upon receipt of payments under CBT's power project capital financing agreement with the Province of B.C. (Note 1(b)). The commitment receivable from the Province of B.C. reflects power project financing earned by CBT through its power project investment activities.

14. COMMITMENTS

(a) Power Project Debt

Under its agreements with its Bondholders, ALPC and BPC have committed to keep the the Arrow Lakes powerplant project and the Brilliant dam in good operating condition and to affect all necessary repairs and replacements to the Arrow Lakes powerplant project and to the Brilliant dam to maintain the Brilliant dam entitlement in a manner that is consistent with good industry practice.

(b) CBT Office

CBT has entered into operating lease agreements for its office space for terms expiring at various dates in the future.

(c) Brilliant Expansion Power Corporation

The construction contract for the Brilliant Expansion project includes a bonus for early completion. The contractor will be entitled to receive a daily bonus amount to August 7, 2006 if marketable power is produced before that date.

15. CONTINGENCIES

CBT's power project operations and investments activities are affected by federal, provincial and local government laws and regulations. Under current regulations, CBT is required to meet performance standards to minimize or mitigate negative impacts of proposed projects. Furthermore, CBT's agreements with its Bondholders require compliance in all material respects with such laws and regulations. The impact, if any, of future legislative or regulatory requirements on specific projects and financing covenants cannot currently be estimated.

The recovery of costs incurred in repairing the Arrow Lakes approach channel from insurance policies in place and warranties under the Design-Build Contract is currently being pursued. An estimate of the proceeds recoverable from

the insurance policies was made and actual receipts that differ from this estimate will be recognized in future years. Under the Design-Build Contract, all deficiencies of the Arrow Lakes project must be resolved by the contractor or liquidated damages will be owed by the contractor to the Arrow Lakes Power Corporation.

CBT is contingently liable as a guarantor of its co-venturers' portions of certain real estate joint venture debt. As at March 31, 2005, the balance of the co-venturer's portion of the debt was $4,618 (2004 - $2,671).

16. RESTRICTIONS ON NET ASSETS

(a) Restricted To Power Project Investments

Power project investment capital is restricted to reflect the Province's condition that its power project financing contributions are to be used to finance the equity requirements of power projects.

(b) Restricted To Non-Power Investments

Non-power investment capital is restricted to reflect the Province's condition that its regional benefit program contribution be used to finance investment activities and the Columbia Basin Management Plan's requirement that this capital be restricted to non-power investments.

(c) Restricted To Delivery of Benefits

Net investment income and certain other distributions from the Investment Program are restricted to future Delivery of Benefit activities. In addition, operating surpluses have been set aside for the Delivery of Benefit by CBT's Board of Directors.

17. RELATED PARTY TRANSACTIONS

(a) CBT Directors' and Advisory Committee Members' Remuneration

Section 11 of the Amendment Act provides for CBT's Directors to be compensated in accordance with directives of the Treasury Board. Where Directors are members of the Province's Legislative Assembly or are public servants or receive remuneration from any other source for acting as a Director of CBT, they receive no compensation from CBT.

(b) Power Project Joint Ventures

Under the terms of their joint venture agreements, CPC and CBT charge the joint ventures for management services. The amounts charged include staff compensation and general overhead costs attributable to joint venture activities (CBT's share is 50%).

		March 31, 2005	March 31, 2004
(i)	Payments to Columbia Power Corporation	$ 5,402	$ 4,861
(ii)	Payments to CBT	$ 490	$ 589

The joint venturers also paid $1,400 (fiscal 2004 - $878) to B.C. Hydro and Power Authority for project consulting services, which were provided at market rates.

(c) Columbia Power Corporation Computer Services

CBT has entered into a contract for the provision of information systems servicing and support to CPC. During fiscal 2005, CPC paid CBT $254 (fiscal 2004 - $225) under this agreement.

(d) B.C. Buildings Corporation (BCBC)

CBT has entered into service agreements with BCBC to oversee the construction of the congregate care facilities and the building management of the Castlegar building. CBT paid $219 (fiscal 2004 - $190) related to such agreements.

(e) Columbia Basin Foundation

In fiscal 2005, CBT made a grant of $100 to the Columbia Basin Foundation (CBF). CBF is a not-for-profit society incorporated on March 12, 2003 under the Society Act of British Columbia and is governed by a Board of Directors consisting of the Directors of CBT.

18. DELIVERY OF BENEFITS

(a) Spending program disbursements

Tier	March 31, 2005	March 31, 2004
Basin	$ 1,365	$ 1,297
Geographic	1,298	722
Sector	1,613	1,847
	$ 4,276	$ 3,866

(b) Spending program commitments

The following commitments were made to several of CBT's delivery partners at the end of the year:

Tier	March 31, 2005	March 31, 2004
Basin	$ 2,622	$ 331
Geographic	1,300	1
Sector	1,230	260
	$ 5,152	$ 592

19. FINANCIAL INSTRUMENTS

(a) Fair value

CBT's financial instruments consist of cash and cash equivalents, securities, receivables, accounts payable, accrued liabilities and long-term debt. The carrying values reported in the balance sheet for cash and short-term investments, receivables, accounts payable and accrued liabilities approximate fair value, due to the short-term nature of those instruments. The fair values of the securities and the long-term debt are not significantly different from their carrying values.

(b) Interest rate risk

CBT is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities. All of CBT's long-term liabilities bear interest at fixed rates.

(c) Credit risk

CBT's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, securities and business loans. Cash and cash equivalents and securities are invested in securities issued by well-capitalized financial institutions with investment grade credit ratings. An assessment of the credit worthiness of a borrower is carried out prior to the placement of a business loan.

20. COLUMBIA BASIN INITIATIVE RESTRUCTURING

On January 16, 2004, the Minister of Energy and Mines announced that power management under the Columbia Basin Initiative would be restructured and CPC will become a subsidiary of CBT, with a separate Board of Directors and a mandate to maximize the value of the power assets. This restructuring initiative was subsequently discontinued and CBT approached the provincial government regarding the potential sale of its interest in the power projects to BC Hydro. The Province decided it would also sell its interest in the power projects owned by CPC, and asked BC Hydro to examine the proposal. BC Hydro then approved in principle the proposal to acquire the interest in the power projects owned by CPC and CBT and undertook a due diligence review. In November 2004 CBT decided it would not proceed with the sale to BC Hydro. In January 2005, the Minister of Energy and Mines instructed CBT and CPC that the existing structure of CPC and CBT would continue and the restructuring initiative would not be pursued.

21. INVESTMENT PROGRAM WRITE-DOWNS AND WRITE-OFFS

	March 31, 2005	March 31, 2004
Investment in Heatwave Technologies Inc.	$ 1,263	$ 28
Investment in KPS Materials Technology Inc.	852	19
Restructuring Costs	1,302	-
Investigation of sale to B.C. Hydro	270	-
Investment in the St. Eugene Golf Course	91	7,374
Investment in Tread Safe Inc.	-	345
Loss on sale of Brilliant School	-	29
Investigation of Waneta Upgrades project	-	19
	$ 3,778	$ 7,814

A provision for the remaining amount of CBT's investment in Heatwave Technologies Inc. (Heatwave) has been recorded due to the discontinuance of operations as an ongoing business. Heatwave ceased operations due to the lack of financial support from its owners and the lack of financial resources from continuing operations. A provision for the full amount of CBT's investment in KPS Materials Technology Inc. has been recorded due to unsuccessful tests of the viability of the technology the company was pursuing.

Since 2001, CBT has been negotiating with the Provincial government to achieve greater independence and autonomy by purchasing all of the outstanding shares of CPC with financing provided by the Provincial government. The investigation and analysis of this restructuring was conducted over the past four years and involved a number of studies and consultant's reports that were necessary to determine whether or not to proceed with this initiative. Due to the decision of the Minister of Energy and Mines in January 2005, all deferred costs associated with the restructuring initiative have been expensed in the current year.

In September 2004, BC Hydro undertook a due diligence review of the proposal to purchase the interests in power projects owned by CBT and CPC. In November 2004, BC Hydro suspended its due diligence when CBT announced that it would not proceed with the sale after receiving a very negative response from the residents of the basin. Accordingly, all deferred costs associated with the due diligence review have been expensed in the current year.

22. SUBSEQUENT EVENTS

On April 1, 2005, the Province paid the last of five $50,000 payments to CBT that form part of the Regional Allocation that will be used to pay for the capital costs of power projects. In May 2005, construction of Columbia Garden Village, a 63-suite congregate care facility in Invermere, B.C., was completed.

23. COMPARATIVE FIGURES

Certain 2004 comparative figures have been reclassified to conform to the current year's presentation.

CORPORATE GOVERNANCE

Guiding Principles

1. The Board represents and serves its communities and the Columbia Basin as a whole. The Board talks with and listens to individuals, groups, and the communities it serves to assure local positions are put forward.
2. The Board provides leadership by establishing goals and annual priorities based on the mandate of CBT as outlined in the legislation and the agreements with the Province of B.C. and the *Columbia Basin Management Plan* (the Management Plan).
3. The Board governs the organization by establishing clear, concise, and consistent policy direction to guide CBT and monitor its performance.

Board Mandate and Membership

The mandate of CBT is to invest, spend, and otherwise manage the regional allocation and the corporation's other assets, including any assets that may be transferred to it, for the ongoing economic, environmental, and social benefit of the region.

The directors of the Board of CBT nominated by local government are:

- Josh Smienk - Regional District of Central Kootenay
- Jeannette Townsend - Fraser–Fort George Regional District
- Mark McKee - Columbia Shuswap Regional District
- Dieter Bogs - Kootenay Boundary Regional District
- Greg Deck - Regional District of East Kootenay
- Garry Merkel - Ktunaxa/Kinbasket Tribal Council

The six directors nominated by the Province are:

- Ben Arcuri - Nelson (resigned May 2004)
- David Brien - Castlegar (term ended March 2005)
- Evelyn Cutts - Fernie
- Jackie Drysdale - Rossland
- Ron Miles - Cranbrook
- Mike Rouse - Kimberley
- Mike Berg - Nelson (effective April 2005)
- Jim Miller - Creston (effective April 2005)

The Board of Directors meets six times per year. The meetings take place around the Basin in as many diverse locations as possible so that local residents are able to meet the Board and, if desired, make a presentation.

Membership and Mandate of Board Committees

CBT's Board of Directors currently has two standing committees:

- Executive Committee
- Audit Committee

There are also three program committees of the Board:

- Investment Committee
- Delivery of Benefits Committee
- Water Initiatives Committee

Committee members are chosen for their expertise and experience in a particular area. The standing committees report to the Board of Directors at each Board meeting.

Executive Committee

Mandate: To oversee the organization, operation, and development of CBT on behalf of the Board of Directors.

Membership:

- Josh Smienk, Chair
- Garry Merkel, Vice Chair
- Greg Deck
- Mike Rouse
- Don Johnston, CEO, non-voting member[1]

Between Board meetings, the Executive Committee meets regularly to conduct ongoing work, as assigned by the Board. They also work on specific matters when directed by the Board. This approach has proven effective and works particularly well in a region where full Board meetings are both difficult to arrange and costly.

Audit Committee

Mandate: To assist the Board of Directors in fulfilling its oversight responsibilities by ensuring the accuracy and integrity of CBT financial information. Audit Committee responsibilities also include the systems of internal control, established by management and the Board of Directors, as well as internal and external audit processes.

Membership:

- David Brien,[2] Chair
- Ron Miles
- Jeannette Townsend
- Dieter Bogs
- Bob Krysac, CFO, non-voting member

The Audit Committee continues to enhance and refine its oversight functions.

Investment Committee

Mandate: To oversee the implementation of CBT's Investment Program, including the management of CBT's investment portfolio, in accordance with established Policies and Procedures.

Membership:

- Mike Rouse, Chair
- Greg Deck
- Evelyn Cutts
- Dave Strachan, Investment Manager, non-voting member (resigned effective May 31, 2005)

The Investment Committee lives up to its fiduciary responsibility of developing and reviewing Policy and Procedures and monitoring performance of the assets.

Water Initiatives Committee

Mandate: To provide leadership in addressing water initiatives within the Basin. The Committee strives to balance and represent Basin residents' interests in a range of water initiatives.

Membership:

- Garry Merkel, Chair
- Dieter Bogs
- Evelyn Cutts
- Jeannette Townsend
- Don Johnston, CEO, non-voting member (until March 2005)
- Kindy Gosal, Manager, Water Initiatives, non-voting member
- Manager, Communications, non-voting member[3]

1 Don Johnston's position as CEO of CBT terminated in March 2005. When hired, the new CEO will join this committee.

2 David Brien's term ended March 2005. Mike Berg was elected new chair of the Audit Committee.

3 Communications Coordinator, Rachel Elkey, performed this duty while the manager's position was unfilled.

The Committee operates under Terms of Reference as approved by the CBT Board of Directors. The Committee has created a Strategic Document outlining the goals, objectives, and principles that the *Water Initiatives Program* is to undertake. The Committee has also created an Education Strategy to address specific activities that are to be undertaken. The work of the Committee is proceeding smoothly and according to the strategic direction set by the Committee.

Delivery of Benefits Committee

Mandate: The Committee oversees a Delivery of Benefits model that is flexible and accessible, and that builds capacity within Basin communities. The Committee will conduct its business in a manner that includes Basin residents through advisory committees, consultations, and other mechanisms that provide CBT with advice from Basin residents. All programming developed by the Committee will support the mission of CBT and be consistent with the Management Plan.

The Committee pays special attention to ensuring all programs and projects have a monitoring component, which will allow for future evaluation.

Membership:

- Jackie Drysdale, Chair
- Ron Miles
- Josh Smienk
- Dieter Bogs
- Mark McKee
- Don Johnston, CEO (until March 2005)
- Jane Hutchins, Manager, Operations and Planning
- Doug Switzer, Community Liaison

The Committee's Terms of Reference were ratified by the Board of Directors in March 2004. The Committee will build on its mandate over FY 2005 as it reviews all Delivery of Benefit programs and granting processes of CBT.

Columbia Basin Trust Senior Management Team

- Josh Smienk, Interim CEO
- Don Johnston, CEO (to March 2005)
- Bob Krysac, CFO
- Dave Strachan, Manager, Investment (resigned effective May 31, 2005)
- Jane Hutchins, Manager, Operations and Planning

INFORMATION ON SUBSIDIARIES
CBTE Annual Report

CBT Energy Inc. (CBTE) is a wholly owned subsidiary of Columbia Basin Trust (CBT). CBTE was incorporated on September 7, 2000, under the *Canada Business Corporations Act* and was continued in the B.C. jurisdiction as a corporation on April 30, 2004.

In keeping with the 1995 Financial Agreement with the Province, CBT and Columbia Power Corporation (CPC) have now each received $250 million over the last ten years to invest in the Hugh Keenleyside (now Arrow Lakes Generating Station), Brilliant, and Waneta Expansion power projects, as well as the rights to the Brilliant and Waneta Expansions ($26 million each). CBT and CPC (a Crown corporation and agent of the Province) became joint venture partners in 1996, with CPC contracted to act as the Manager.

Since then, the joint venture partners have purchased the Brilliant Dam from Teck Cominco and have completed significant upgrades to the Brilliant Dam facility. The joint venture partners have also completed construction of the Arrow Lakes Generating Station (ALGS), constructed a new substation (Brilliant Terminal Station), commenced construction on the Brilliant Expansion, and are investigating the feasibility of proceeding with the Waneta Expansion.

Section 4 of the *Columbia Basin Trust Act* states that CBT is "to invest, spend and otherwise manage the regional allocation and the corporation's other assets, including any assets that may be transferred to it, for the ongoing economic, environmental and social benefit of the region." CBTE represents the mandate of CBT in the energy area. Through CBTE's oversight of the Manager (CPC), CBT is assured that income will be returned from its assets to fund the benefits described in its enabling legislation.

CBTE is located in Castlegar, B.C., at CBT's head office.

Vision

Given the recent completion of ALGS, the ongoing construction on the Brilliant Expansion, and investigation of the feasibility of the Waneta Expansion, CBTE is preparing to shift its focus from the dominant power project development to include operation, trading, and management. In the future, CBTE may pursue development options in the energy industry complementary to its joint venture power projects, including the provision of support services to large energy users, other utilities, and other independent power producers.

CBTE is preparing to shift its focus from the dominant power project development to include operation, trading, and management.

Mission

In order to return stable long-term income to CBT, CBTE invests in energy and power-related projects with its joint venture partner, CPC, and oversees CPC's management of the development, construction, and operation of these investments. These investments are the core of CBT's Legacy Fund, and CBT uses the income earned through CBTE's investments to create a legacy of social, economic, and environmental well-being in the Basin.

Values

The following values guide CBTE's operations:

- **Adherence to the best of private sector practices.**
  CBTE strives to adhere to the best of private sector practices in order to be an effective participant in the B.C. energy industry. Private sector practices are used to

review the development and management of the joint venture power projects.

- **Accountability for its actions and its results to CBT.**
  CBTE is accountable for its performance to CBT, which is accountable in turn to Basin residents for its performance. CBTE reports to the CBT Board on a regular basis.
- **Adherence to the mission, vision, goals, and objectives of CBT in any actions undertaken.**
  CBTE adheres to CBT's unique mission, vision, goals, and objectives, which are outlined in the *Columbia Basin Management Plan*, and are based on input from residents.
- **Dynamic and inclusive planning processes, taking market trends and developments into account.**
  As a participant in the energy industry, CBTE values planning processes that reflect its business environment and keep pace with that environment.
- **Open avenues of communication with partners and associates.**
  CBTE represents the interests of CBT by openly communicating those interests to its partners and associates.

CBT uses the income earned through CBTE's investments to create a legacy of social, economic, and environmental well-being in the Basin.

Structure

A Board of five directors currently governs CBTE. The Board is composed of CBT representatives and energy industry experts, who ensure that rapidly evolving market conditions are taken into account in business planning. In addition, the CBTE Board of Directors guarantees that CBT receives diverse views to evaluate the opportunities and risks associated with power project development, investment, and management. The CBT Board annually confirms the membership of the CBTE Board. The CBTE CEO, appointed by the CBTE Board, is responsible for the execution of the Board's directives.

The CBTE Board must understand the interests of Basin residents and possess suitable levels of industry experience and expertise in the areas of power project investment and management, electricity trade, and natural gas markets.

The Board holds meetings on a quarterly basis and monitors the performance of CBTE throughout the year. In addition, the Board sets policy in areas critical to CBTE's operations. These areas include power project investment, development, and management. CBTE's policies take into account a wide range of issues including changes to the energy market, regulatory environment, Columbia River Treaty, environmental issues, and alternate energy. All of the Board's planning processes include a thorough examination of strategic risks and appropriate risk management.

CBTE owns several subsidiaries that hold 50-percent interests in the joint ventures with CPC. The joint venture partners are the investors in the joint venture power projects, and joint venture committees manage these projects. Representatives of the CBTE Board, appointed by the CBTE Board, account for half of the membership of the joint venture management committees. CPC appoints the remaining half of the members to the joint venture management committees.

CBTE ANNUAL REPORT

CBTE Board Membership:

- Josh Smienk, Chair
- Ken Epp (resigned from Board June 2005)
- George Fraser
- Ron Miles
- Cam Osler

CBTE Senior Management:

- Ken Epp, CEO (July 2000 – May 2005)
- Ron Miles, Acting CEO (appointed May 2005)
- Bob Krysac, CFO

Ken Epp held the position of part-time interim CEO since CBTE's formation. Ken Epp resigned as the CBTE CEO effective May 25, 2005, and from the Board in June 2005. The CBTE Board accepted Ken Epp's resignation with reluctance considering his dedication and the industry expertise he has provided to CBTE over the years. The Board expressed its sincere gratitude to him for his service and commitment. The CBTE Board appointed Ron Miles, Director of CBT and CBTE, as Acting CEO effective May 26, 2005.

Partner

CBTE and CPC are joint venture partners in the power projects in the Basin. They have been working together to return benefits from the joint venture power projects to the Basin and to the Province since 1996.

Performance Report

CBTE is responsible for CBT's interests in the joint venture power projects that make up the Legacy Fund as a CBT core service area. The following table illustrates CBTE's performance in the past fiscal year based on the net income from the joint venture power projects. The wording of this performance measure has changed from the 2005 – 07 Service Plan from "net income in power sales" to "net income from the joint venture power projects." The wording "net income in power sales" implied the performance measure only reflected revenue from the joint venture power projects. The performance measure actually reflects revenues and expenses of the joint venture power projects, i.e. net income. The wording of CBTE's goal has changed from previous service plans and annual reports to more accurately capture the link between its goal and performance measure. The targets for 2005 – 06, 06 – 07, and 07 – 08 have changed from previous service plans to reflect periodic updates to financial forecasts.

Goal

Increase the amount of net income accruing to CBT.

Objectives	Performance Measure	2004 –05 Target	Result
Earn increasing levels of income through power sales from the existing joint venture power projects. Preserve the real value of the joint venture power projects.	Net income from joint venture power projects	$6.37 million (originally forecast in 05 – 07 Service Plan as $6.6 million)	$5.67 million

Performance Measure	Results 02 – 03	Results 03 – 04	Results 04 – 05	Targets 05 – 06	Targets 06 – 07	Targets 07 – 08
Net income from joint venture power projects	$13.6 million	$8.4 million	$5.67 million	$8.09 million	$11.871 million	$13.732 million

Managing Risk

Several strategies are in place to manage the risk of being unable to return dividends to CBT:

- Ensure CPC fulfills its duties and responsibilities as Manager of the joint venture power projects.
- Liaise with the Board of Directors of CBT and staff members of CBT when necessary.
- Monitor energy industry developments in B.C. and North America and participate in the development of the energy industry when deemed necessary by the CBTE Board.
- Retain sufficient energy expertise for CBTE Board of Directors. (Expertise in areas of power project investment and management, electricity trade, and natural gas markets.)
- CBTE will:
    - Review and analyze market conditions on an ongoing basis.
    - Recalibrate CBTE forward electricity price curve on a regular basis.
    - Ensure CBTE Board is aware of all energy industry developments and assesses the significance of such developments in the context of the joint venture power projects.
    - Intervene in regulatory proceedings as directed by the CBTE Board.
    - Monitor the viability of alternate energy resources for possible development/investment if such resources are cost competitive.

Explanation of Results

In 2004 – 05 net income from the joint venture power projects totalled $5.67 million, which was lower than the most recent forecast of $6.37 million. The forecast net income assumed that CPC and CBTE would be amalgamated, and that investment monitoring and overhead costs would be incurred by the amalgamated entity. Actual results reflect that CPC will remain a separate entity, and expenses of $913,000 for investment monitoring and CBT overhead reduced net income from the power projects.

Overall, net income was also lower this year than last year. Some decline was expected, as net income last year was greater than forecast due to lower than expected expenses at ALGS and Brilliant Dam.

This year net income was also affected by the channel incident at ALGS. In late April 2004, the concrete lining of the bottom of the ALGS approach channel (the channel through which water travels from the reservoir into the powerhouse) was damaged. ALGS was shut down and emergency repairs were carried out, followed by further repairs that allowed ALGS to resume power generation in August.

The total cost of the channel damage during the year was $14,700,000 (CBT's portion – $7,350,000), which consisted of $7,900,000 in repairs (CBT's portion – $3,950,000) and $6,800,000 in lost revenue (CBT's portion – $3,400,000). The total recovery recorded in the financial statements is $10,778,000 (CBT's portion – $5,389,000). This consists of advances totalling $6,000,000 (CBT's portion – $3,000,000) that has been received from the property insurer towards the settlement of the insurance claim and an expected further recovery of $4,778,000 (CBT's portion – $2,389,000) from various sources. The final impact of the channel damage cannot be determined with certainty at this time.

Internal Factors Impacting Performance

During 2004 – 05, CBTE was reviewed by the Office of the Comptroller General's Internal Audit & Advisory Services (IAAS) as a result of a letter from MLA Barry Penner questioning related party transactions. The purpose of the review was to look at whether there was any conflict of interest with contractors to CBTE and CBTE's CEO. The review found no actual conflict of interest and no attempt by the

CBTE CEO to further any personal interest. The review identified ways for CBTE to improve operational policies and practices using guidelines from the Province. We are committed to addressing all the recommendations from the review and a number of policies have been recently implemented by the CBTE Board.

This review also recommended additional disclosure on payments made by CBTE to ZE PowerGroup Inc., a consulting firm a CBTE director has also consulted for. The director excused himself from voting when assignments were given by the CBTE Board. During the year, CBTE paid ZE PowerGroup Inc. $479,291 for energy pricing computer software and energy-related services such as monthly market monitoring reports, financial modelling, and project evaluation research.

Over the past four years, CBTE has not increased staff in case an amalgamation with CPC occurred. CBTE has 1.5 FTEs, has used the expertise within CBT and the CBTE Board, and contractors as required. In fall 2001, CBT and CBTE entered into the core services review process, and worked with the Province to consider various restructuring scenarios with an aim to create a more efficient joint venture structure. In January 2005, the Minister of Energy and Mines indicated that CBT and CPC would each continue to fulfill their mandates and that the present joint venture structure would also continue. This indication means that CBTE will refocus resources used in restructuring on representing CBT's interests in the joint ventures with CPC. With the direction from the Minister of Energy and Mines in January 2005, the CBTE Board is now considering whether its business needs are best met by using fewer contractors and adding staff.

In September 2004, CBT considered a share sale of CBTE to BC Hydro. CBTE worked to provide Basin residents with information on the possible impacts of the sale. Following community meetings with Basin residents, and based on feedback from the public, CBT decided not to sell CBTE's shares to BC Hydro.

External Factors Impacting Performance

Net income from the operational joint venture power projects – ALGS and the Brilliant Dam – was mainly impacted by one external factor in the past year, the channel damage at ALGS. Depending on the outcome of engineering studies and the timing of permanent repairs and contractual issues, net income during the period of repairs (potentially fiscal 2006 and fiscal 2007) may be materially impacted due to timing differences between when the repair costs are incurred and when recoveries are received from insurance and/or the design-build contractor.

In early 2005, CBTE participated in the British Columbia Transmission Corporation Open Access Transmission Tariff Application before the BC Utilities Commission (BCUC) to seek improved transmission access and development of a B.C. energy market. Improved access to energy markets is integral to generating income from the sale of power produced at the joint venture power projects. CBTE was supportive of the British Columbia Transmission Corporation's Application. CBTE's participation was necessary in order to mitigate the future risk of a lack of transmission access, especially given that the Brilliant Expansion is scheduled to begin producing power in 2006. CBTE's participation in the Application before the BCUC was consistent with the Province's Energy Plan, and the Province's creation of the British Columbia Transmission Corporation to ensure open and fair access to the transmission system in B.C.

Benchmarks

CBTE is currently seeking third-party advice on what rates of return on assets and rates of return on equity would be appropriate for the power

projects owned by CBTE. This is a preliminary step towards establishing credible benchmarks that the power project returns could be compared to in order to properly determine if these returns are above, below, or on par with comparable industry rates of return. Performance cannot be properly measured without an accurate assessment of what these baseline rates of return should be.

Performance Management and Reporting

Performance Measure Selection Process

CBTE selected net income from the joint venture power projects as its performance measure because it has a direct impact on the net income that accrues to CBT, which is what is used to determine the level of benefits delivered to Basin residents each year.

Data Tracking, Monitoring, and Reporting Process

During the year, the forecasts of net income from the power projects were updated quarterly as part of CBT's reporting obligations to the Province.

CBTE Board met quarterly to review the performance of the joint venture power projects, including review of any potential risks to CBTE's ability to return income to CBT.

The performance measure of net income from joint venture power projects is the net income that accrues to CBTE based on its 50-percent interest in the power projects. This is reflected in the CBTE financial statements based on a consolidation of the amounts in the joint venture power project company financial statements under the Generally Accepted Accounting Principles (GAAP). Revenues are primarily composed of the proceeds from the power sales at the two operational joint venture power projects, the Brilliant Dam (power is sold under a long-term contract to FortisBC) and ALGS (power is sold under a long-term contract to BC Hydro). Expenses in the joint venture power project companies consist mainly of repayment of long-term debt, operations and maintenance costs, insurance, and water rentals.

Alignment with Government's Strategic Plan

Further detail on how CBTE contributes to CBT's social, economic, and environmental commitments, which are a reflection of the government's goals for B.C., is on page 29.

By returning income to CBT from the joint venture power projects and by investing in joint venture power projects in the Basin, CBTE creates both short- and long-term benefits for Basin residents. The creation of income through the joint venture power projects has contributed and continues to contribute to a strong and vibrant provincial economy through the influx of construction spending in the region and creation of jobs at the power projects. In addition, proceeds from the sale of power fund the long-term economic, social, and environmental benefits CBT brings to the Basin.

The joint venture power projects themselves are excellent examples of environmentally sustainable power generation in B.C. The projects make use of existing facilities instead of building new dams. The water used in the joint venture power projects would otherwise have been spilled into the Columbia and Kootenay Rivers. By running the water through the joint venture power projects instead of spilling it, total gas pressure is reduced downstream, creating better fish habitat. Furthermore, the projects generate power using a renewable resource, reducing the need for power from non-renewable resources that produce greenhouse gas emissions. Through the joint venture power projects, CBTE is able to return income to CBT and Basin residents without depleting the resources of the Basin.

POWER INVESTMENTS – PROJECT HIGHLIGHT

Generating Jobs, Green Power, & Economic Activity

In the past year, construction of a new power plant continued at the joint venture power project, the Brilliant Expansion – an example of a new project in B.C. that is not only creating immediate benefits in the Columbia Basin but will also benefit the area and the Province for decades to come.

When construction is complete in 2006, the Brilliant Expansion will consist of a new 120-MW power plant just downstream from the Brilliant Dam, producing enough power to supply thousands of homes. Water will pass through a tunnel that begins upstream from the Brilliant Dam, and will run through the new powerhouse and return to the Kootenay River below the existing Brilliant Dam. The Brilliant Expansion will be connected by a short transmission line to a new substation, the Brilliant Terminal Station, which is also owned by the joint venture partners.

This project is creating immediate benefits in the Columbia Basin and will benefit the entire province for decades to come.

In the past year, the contractor, the Brilliant Expansion Consortium, has been excavating the powerhouse and tunnel and poured concrete in the powerhouse area. Land has also been cleared for the transmission line to Brilliant Terminal Station.

Over the course of its construction, the $205-million project will employ 150 people, the overwhelming majority of them Basin residents, as well as generate millions of dollars worth of spending in the Basin. When complete, CBTE's 50-percent share in the net income from Brilliant Expansion power sales will return to CBT and increase the level of CBT's Delivery of Benefits in the Basin. Currently, about 40 percent of the anticipated power from the Brilliant Expansion has been sold to BC Hydro under a 20-year agreement. Net income from the Brilliant Expansion will also be returned to the Province through CPC. The Brilliant Expansion will also see $2.1 million in water rentals go to the Province annually.

Economic benefits from the expansion of generating capacity at the Brilliant Dam are exceeding expectations.

COLUMBIA BASIN TRUST

FIVE YEAR SUMMARY

(in thousands of dollars)

	2005	2004	2003	2002	2001
REVENUES					
Net investment income					
Power projects	5,672	7,633	13,636	2,265	1,840
Business loans	1,112	1,124	1,582	1,496	699
Income securities	467	665	794	1,170	2,043
Real estate	33	-47	-97	30	12
Venture capital	-	-47	-111	-	-
	7,284	9,328	15,804	4,961	4,594
Contribution					
Province of B.C.	2,000	2,000	2,000	2,000	2,000
	9,284	11,328	17,804	6,961	6,594
OPERATING EXPENSES	3,012	2,795	3,233	3,817	2,458
OPERATING INCOME	6,272	8,533	14,571	3,144	4,136
Investment write-downs	3,778	7,767	576	1,704	2,865
Delivery of benefits	4,276	3,866	4,036	4,772	4,249
SURPLUS (DEFICIT) OF REVENUES OVER EXPENSES	-1,782	-3,100	9,959	-3,332	-2,978

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